



Daily Report

East Asia

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ASEAN Urged To Adopt Aggressive APEC Stand

*BK1112065494 Bangkok BANGKOK POST in English
10 Dec 94 p 24*

[FBIS Transcribed Text] ASEAN countries should unite to adopt a more aggressive economic strategy under the Asia Pacific Economic Cooperation (APEC) group, says Commerce Deputy Permanent Secretary Karun Kittisathaphon.

ASEAN senior economic officials meeting last week in Jakarta agreed that the six-country group should strengthen its role within APEC to ensure that its own trade-liberalisation goals are met by the overall APEC goal of free trade by 2020.

The officials said member countries should realise that APEC is developing rapidly from consultative forum to a negotiating one, so ASEAN must pay more serious attention to APEC cooperation. The issue will be on the agenda of every ASEAN meeting from now on, they said.

Mr Karun, who chaired the meeting, said ASEAN members agreed in principle to attempt to find common ground on APEC related issues.

"ASEAN should change its cooperation mechanism from a defensive plan to an offensive one," added Kanison Nawanugraha, deputy director-general of the Business Economics Department.

Mr Karun said ASEAN still did not have strategies to bring to APEC on issues such as human resource development, trade facilitation and technology transfers.

"Whether ASEAN will have a strong voice in APEC or not will depend on the effectiveness of each member because they cannot only say what they want but must undertake the hard work of preparing documents," he said.

Trade liberalisation among 18 APEC members still requires more clarification, so it is likely that one ASEAN member will draft a paper on suggested methods and ask other members for comments, according to Mr Karun.

He said the officials also discussed how to expand the ASEAN Free Trade Area (AFTA) to cover agricultural products and created three lists: an inclusion list, a temporary exclusion list and a sensitive list. Members will exchange inclusion lists and temporary exclusion lists by December 15 while the sensitive list must be presented before December 31.

The inclusion list will cover farm products on which a government could immediately reduce import tariffs. The temporary exclusion list will cover products that need short-term protection for three to five years, and the sensitive list covers products protected by non-tariff barriers such as quotas or import bans.

ASEAN members must submit their conclusions on agricultural trade by February in preparation for the ASEAN economic ministers' meeting in April at Phuket.

Mr Karun said officials also agreed that representatives from Australia and New Zealand would be invited for informal consultative meetings with ASEAN senior economic officials to discuss the possibility of links with AFTA and those two countries' Closer Economic Relations agreement.

The senior officials will visit Vietnam on January 22-26 to discuss the possibility of AFTA cooperation after it becomes the seventh member of ASEAN in July 1995. Because Vietnam's trading system is still controlled mostly by the government, ASEAN members must find ways to integrate its system with AFTA.

Countries Sign Accord on Submarine Cable Network

*BK1312160094 Singapore Radio One in English 1400
GMT 13 Dec 94*

[FBIS Transcribed Text] Another milestone in telecommunications was made today. Sixteen countries signed a memorandum of understanding to plan and implement SEA-ME-WE 3 [Southeast Asia-Middle East-Western Europe 3], a new oceanic submarine telecommunications cable. It will complement the five-month old SEA-ME-WE 2, now linking 13 countries between France and Singapore. In addition to voice data and images, SAE-ME-WE 3 will also be able to transmit high-definition TV at very high speed across continents. Singapore Telecom said the increased capacity would also mean greater savings for users on the international direct dial service.

Japan**Glass Industry Reacts to Glass Accord With U.S.**

*OW1312125794 Tokyo ASAHI SHIMBUN in Japanese
13 Dec 94 Morning Edition p 11*

[FBIS Translated Text] At the Japan-U.S. flat-glass talks, Japanese and U.S. negotiators have reached an agreement without setting any numerical targets, and the Japanese glass industry is relieved at the agreement. Both Japanese and U.S. glass makers are welcoming the plan by the Japanese Government to construct model buildings using heat-resistant glass. Meanwhile, Japanese glass wholesalers are wary of the possibility that Japanese glass makers may exploit the agreement as an opportunity to reselect their glass wholesalers.

The United States at first demanded that the Japanese glass wholesalers set their respective targets for purchasing U.S.-made glass, but the United States dropped the demand in the final round of the Japan-U.S. flat-glass talks. Japanese flat-glass makers, which have their own domestic sales networks, are confident of keeping the future growth in glass imports at a low level. Kazuo Kamiya, vice president of Asahi Glass, says foreign-made flat glass is 20-30 percent cheaper than Japanese-made flat glass at the stage of customs clearance, but "we can beat them in our market" in light of such conditions as the addition of distribution costs to their sale prices in Japan and the period of delivery.

On 12 December, the Japan Federation of Flat Glass Wholesaler Associations, a body organized by the wholesalers, and three glass makers have issued a statement vowing to deal indiscriminately in foreign-made flat glass and Japanese-made flat glass.

The "indiscrimination" may break off the long-standing collusive ties between the glass makers and the glass wholesalers, opening the possibility of shrinking the number of glass wholesalers. Almost all of the glass wholesalers have business contracts with either Asahi Glass Company, Central Glass Company, or Japan Glass Company for the exclusive sales of their products. The end of long-standing collusive ties will make it impossible for glass wholesalers to expect protection from glass makers.

'Secret' Review of Security Pact Said Under Way

*OW1412015594 Tokyo AERA in Japanese 19 Dec 94
pp 18-19*

[Article by AERA editor Yoshitaka Sasaki: "Review of the Japan-U.S. Security Treaty Begins"]

[FBIS Translated Text] A review of the Japan-U.S. Security Treaty's role has begun in secret. Two top experts of the U.S. administration visited Japan. They came with a thorough perception of the international situation five years after the cold war. Faced with demands to cooperate in maintaining global security,

Japan is somewhat distressed. How will the Murayama coalition government deal with this?

"We would like to hold multifaceted discussions on, and redefine the Japan-U.S. security setup in the period following the East-West Cold War. It would be a good idea to issue a new communique on the importance of the Japan-U.S. Security Pact at the bilateral summit talks to be held during the Asia-Pacific Economic Cooperation (APEC) forum in Osaka in November 1995. The fact that the two leaders will issue a declaration to the world and Asia, and to the peoples of both countries, will be of great significance."

In November, Joseph Nye, U.S. assistant secretary of defense (for international security affairs), and Dr. Ezra Vogel, senior analyst in charge of East Asia at the National Intelligence Council [NIC], visited Japan. They talked energetically with senior officials of the Ministry of Foreign Affairs [MOF] and Defense Agency [DA], retired top officials, ranking officers of the Self-Defense Forces [SDF], and former DA director generals from the Liberal Democratic Party [LDP] and Shinshinto [New Frontier Party].

It was learned that during these discussions, the two men conveyed an important message to the Japanese.

Nye and Vogel are well-known professors of the prestigious Harvard University, and are both experts on Japan. Last year, after the Clinton Democratic administration was inaugurated, they both joined the administration—Nye became chairman of NIC (with the rank of under secretary), and Vogel, senior NIC analyst (with the rank of assistant secretary). Last September, Nye moved to the Department of Defense as the highest working-level official responsible for international security affairs, despite having to accept a demotion, to team up with Vogel.

Vogel is known for his book written in 1979: "Japan As No. 1: Lessons for America." He speaks fluent Japanese. He supports Nye's job as the assistant secretary of defense in charge of policy formulation in the information area, and manages his staff.

Discussions With Experts on Japan-U.S. Security

During their recent visit, Japanese experts with whom Nye and Vogel held separate discussions, included: 1) Hiroshi Fukuda, deputy vice minister of foreign affairs and other senior MOF officials; 2) Naoaki Murata, director general of DA's Defense Policy Bureau and other senior DA officials; 3) Tetsuya Nishimoto, chief of the Joint Staff Council (formerly with the Ground Self Defense Force Staff Office) and other top SDF officers; 4) Seiki Nishihiro, former administrative vice minister for the DA, Makoto Sakuma, former chief of the Joint Staff Council (formerly from the Maritime Self Defense Force), and other members of the "Defense Issues Council," a private advisory body to the prime minister; and

5) former DA director generals Taku Yamasaki (LDP) and Kazuo Aichi (Shinshinto).

According to a number of the Japanese officials who talked with Nye and Vogel, the two men stated:

"The Japan-U.S. Security Pact needs to adapt to the globalization of security and increasing interdependence in the post-Cold War era, and there is an urgent need to redefine its role. But serious discussions have not been held between Japan and the United States.

"The United States is determined to maintain its frontal deployment in East Asia. Japan, on its part, should engage in more security cooperation relating to UN peacekeeping operations (PKO), and take up more global responsibilities and roles through the United Nations.

"Recently, confrontation and competition, particularly economic friction between Japan and the United States has been in the limelight. However, the increasingly important role of the Japan-U.S. security relationship as the balancer in the maintenance of peace and stability in the world and in East Asia should be given more attention in the post-Cold War period.

"It is important for the two countries to discuss openly, and reach agreement on higher goals of mutual national interest, such as the issues of dealing with China after Deng Xiaoping, preventing the proliferation of the former USSR's weapons of mass destruction, and cooperation in the negotiations to stop the DPRK (North Korea) from developing nuclear arms. If that becomes possible, there will be less potential for bilateral trade friction to undermine security relations."

Tricky Issue

When U.S. Under Secretary of Defense [title as published] Walter Slocombe visited Japan in early November, he suggested during a meeting with Yohei Kono, deputy prime minister and foreign minister, that discussions be held on how security cooperation between Japan and the United States can be implemented on a global scale. He is said to have wanted to have more in-depth discussions.

In the past, the United States has taken up the issue of Japan's inadequate capability in sea lane and air defense—including the inadequacy of the SDF's aerial early warning system and its anti-air naval capability—and in dealing with missiles. But this was limited to questions relevant to the defense of Japanese territory, and to the defense of the 1,000 nautical mile sea lane. Whereas this time, there was an attempt to go beyond this framework, and this has the potential to include issues on a global scale. To the Japanese government under Prime Minister Tomiichi Murayama and Foreign Minister Kono, which has declared its policy of international contributions to the world, that "there shall be no exercise of force that is prohibited by the constitution," (from Kono's speech at the UN General Assembly in September), this could be a tricky issue.

The MOF and DA explained to Nye and Vogel the state of ongoing bilateral dialogue on multilateral security with China, Russia, South Korea, and other neighboring Asian countries. They also expressed their intention to begin considering the signing of an acquisition and cross-servicing agreement (ACSA) between the two countries soon.

ACSA will enable the SDF and U.S. military to cooperate closely in the transport of food, fuel, medical supplies, as well as soldiers, and in medical services, communications, and other duties. Needless to say, the commodities and duties involved in this, depending on the prevailing situation, may violate the constitutional provision prohibiting the exercise of the right of collective defense. Mutual supply of ammunition, and involvement in contingencies outside Japanese territory are expected to be excluded from ACSA.

Asked to comment on the future of the Japan-U.S. security setup at a meeting with Vogel, former DA Director General Yamasaki reportedly said: "Following the end of the Cold War, the United Nations is conducting more activities. Japan is also beginning to gradually participate in these activities. As such involvement increases further, to the extent of calling into question Japan-U.S. security relations, there may be cases that will come into conflict with the constitutional provision against the exercise of the right of collective defense."

He added: "For example, if the United States decides that a sea blockade by the U.S., Japan, and the ROK is necessary, how will Japan respond to this? If Japan replies: 'The SDF cannot participate; we will send food, but not fuel and ammunition,' there will be the problem of dealing with public opinion in the two countries. However, constitutionalists hold the leadership in the present administration; it will be difficult to come up with a quick response."

Former DA Administrative Vice Minister Nishihiro told reporters after separate meetings with Nye and Vogel: "The United States thinks there should be no fear of Russia becoming a threat again in the next 50 years. China is trying to absorb advanced military technology from Russia. The 10 or 15 years that China will take to succeed in this will be a critical period for Japan-U.S. relations. It also thinks there is a need to pay serious attention to the Korean peninsula."

Nishihiro also said: "However, it is thought to be impossible for the governments of Japan and the United States to blatantly persecute other countries. This can only be dealt with behind-the-scenes between the two governments, while at the same time, private scholars and research institutions need to conduct discussions and studies in public to arouse public opinion. The United States wishes to set up new mechanisms for dialogue between the two countries, and to create reliable channels of communication."

Another official who participated in a similar meeting said: "The United States says that in security, it will not

use outside pressure to move Japan; it will adopt a policy of dialogue. It is seeking ways to create a mechanism of dialogue not only with government agencies such as the MOF, DA, and the Cabinet Security Affairs Office, but also with private institutions and citizens."

"Soft Power"

As a scholar, Nye is well known for his 1990 book: "Soft Power." He pointed out that this is an age wherein conventional hard power, relying mainly on military prowess, is not only expensive, but has little deterrent effect on closely interdependent major powers. He called the process of sharing one's national interest and diplomatic ideology with other countries through multilateral coordination in international organizations, a society with a culture and philosophy appealing to the people of other countries, and a government able to influence the free will of other countries "soft power." He argued that in the post-Cold War world, "soft power to increase one's friends is as important as hard power to coerce."

If the Murayama administration is able to put forth a new global strategy that measures up to Nye's new ideas, it is not impossible for the government to stand firm on the spirit of the constitution.

Joint Defense Research With U.S. Increasing

*OW1412022994 Tokyo KYODO in English 0156 GMT
14 Dec 94*

[FBIS Transcribed Text] Washington, Dec. 13 KYODO—Japan and the United States have agreed to pool their financial and technical resources to develop advanced steel for submarines, ceramic engines for tanks, and military laser technology, Japanese defense officials said Tuesday [13 December].

Defense officials from the two countries have also agreed to study the technical feasibility of upgrading the fighting capability of F-15 warplanes and developing better technology to hunt down enemy submarines and pinpoint the location of enemy land mines.

These agreements, the Japanese officials said, emerged after two days of high-level talks that wound up Tuesday at the Pentagon. The talks involved a total of 50 senior defense officials and military experts from the two countries.

The six new defense programs bring to 12 the total number of research projects earmarked for joint development by Japan and the U.S. under a 1985 bilateral accord to exchange defense technologies.

"The talks over the past two days have been extremely productive," a Japanese official said.

The Japanese officials said the U.S. was represented by a 35-member team headed by Deputy Secretary of Defense John Deutch. Heading the 15-member Japanese delegation was Hisamitsu Arai, head of the Equipment Bureau of Japan's Defense Agency.

The advanced steel research project, the Japanese officials said, is designed to develop a new type of alloy, lighter in weight and stronger in tensile strength, that would enable submarines to operate at depths 20

deeper than is possible with the current generation of submarine technology.

The Japanese officials said the two countries have already worked out basic details of the steel research project, estimated to cost 4 billion yen over five years, and will formalize an agreement next month.

The Japanese Defense Agency and the Pentagon will split development costs of all the joint research projects, the Japanese officials said.

The Defense Agency has earmarked 200 million yen for the steel research program in its fiscal 1995 budget, the Japanese officials said.

The officials said the agency has also set aside 400 million yen in fiscal 1995 for the ceramic engine project, which is designed to develop lighter and more fuel-efficient engines for tanks. The entire project is estimated to cost 3 billion yen.

The two countries have also worked out a broad outline for the development of the so-called "eye-safe" laser technology for use by helicopter pilots to improve their ability to detect low-visibility hazards such as power cables. Total development costs are projected at 2 billion yen.

The Japanese officials said the two countries will start negotiations in January to flesh out details of the ceramic engine and laser projects and plan to formalize the two research programs by June next year.

Officials said the two countries have also agreed to set up working groups to look into the technical feasibility of upgrading the "hardware and software" of U.S.-designed F-15 interceptors and improving submarine-hunting and land mine-detection technologies.

F-15s are the mainstay of Japan's air power.

Personal Computer Makers To Replace U.S. Chips

*OW1412115894 Tokyo KYODO in English 1016 GMT
14 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Major Japanese personal computer makers said Wednesday [14 December] they will replace Intel Corp.'s Pentium microprocessors free of charge with a revised chip for customers who bought their personal computers. Intel has discovered a flaw in early versions of Pentium in which every few billion calculations, the chip might produce a wrong answer to a complex division problem.

Fujitsu Ltd., Japan's leading high-tech maker, has not decided yet how it will offer such replacement service but plans to begin it as early as January. Fujitsu said

since December of 1993 it has shipped 11,000 units of seven FM-series models that were equipped with early Pentiums.

NEC Corp. and Toshiba Corp. also plan to replace Pentiums for their personal computer customers. NEC said a calculation error will occur only once every 5 billion to 9 billion processing time and there should be no trouble in daily use of word processing and personal spreadsheets.

Industry analysts said 150,000 units of Pentium-equipped machines have been sold so far in Japan. IBM Japan Ltd. said Tuesday it has suspended shipments of all its personal computers equipped with Pentiums.

Rabin Seeks Tokyo Role in Golan Heights Mission

OW1412061094 Tokyo KYODO in English 0525 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Israeli Prime Minister Yitzhaq Rabin expressed hope Wednesday [14 December] that Japan will participate in a UN mission to the Israeli-occupied Golan Heights, Japanese officials said.

Rabin, the first Israeli premier to visit Japan, expressed the wish in talks with former Prime Minister Toshiki Kaifu, leader of the main opposition party Shinshinto, party officials said.

Almost all the Japanese cabinet ministers on Tuesday opposed dispatching a government team to the Golan Heights, which Israel seized from Syria in 1967.

The Foreign Ministry is planning to send a team to the Golan Heights in January to study the possibility of Japan's Self-Defense Forces (SDF) participating in the UN operations there next summer.

Chief Cabinet Secretary Kozo Igarashi told reporters Tuesday that the government has not made any final decision on dispatching such a mission.

The United Nations has been requesting Japan to shoulder some functions under the UN Disengagement Observer Force (UNDOF) in the Golan Heights.

Japan's Peacekeeping Cooperation Law enacted in 1992 paved the way for Japan to send military personnel overseas for noncombat missions.

Also attending the talks with Rabin were two Shinshinto vice presidents, former Prime Minister Tsutomu Hata and former State Minister Koshiro Ishida, as well as former Foreign Minister Koji Kakizawa.

Rabin sought Japan's active involvement in the Middle East as the nation holding the world's second largest economic power, the officials said.

The Israeli premier told the opposition leaders that Israel has not had any strife with Syria in the Golan Heights for the last 10 years, nor have there been any victims of terrorism in the area.

Rabin flew to Tokyo from Oslo, where he was awarded the 1994 Nobel peace prize along with Palestinian leader Yasir 'Arafat and Israeli Foreign Minister Shim'on Peres.

Murayama Said Cautious

OW1412090294 Tokyo MAINICHI SHIMBUN in Japanese 13 Dec 94 Evening Edition p 1

[FBIS Translated Text] On the morning of 13 December, Prime Minister Tomiichi Murayama indicated he intends to deal cautiously with a Foreign Ministry plan to send a Self-Defense Forces mission to the Golan Heights next summer to participate in UN peacekeeping operations (PKO) there. In reference to reservations expressed about the plan in some quarters of the government and ruling coalition parties, Murayama said: "That is only natural."

Need for More Security Stressed

OW1412130894 Tokyo KYODO in English 1158 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Israeli Prime Minister Yitzhaq Rabin said Wednesday [14 December] he is opposed to holding elections in the West Bank when only part of an interim peace agreement has been implemented and Israeli security has not been ensured.

"We will not be able to accept only part of the interim agreement which is convenient for the Palestinians," and which does not include an arrangement on the major problem of security, Rabin told a press conference in Tokyo.

Rabin, who met the press after wrapping up a three-day visit to Tokyo, was quoted as suggesting to Israeli Radio Monday that Israeli troops might remain in Palestinian West Bank towns during elections, due to be held in July.

Under the historic accord signed between Israel and the Palestine Liberation Organization (PLO) in September 1993, Israel must redeploy its West Bank troops by the eve of the elections.

Some two million Palestinians are due to hold elections in the West Bank, still occupied by Israel, and in the Gaza Strip and the West Bank town of Jericho, both of which have been under Palestinian self-rule since May.

So far, Israel has handed over Jericho and most of the Gaza Strip to the PLO. It has also turned over control in five spheres of administration in the West Bank—education, health, taxation, tourism and welfare, but problems remain in implementing other parts of the deal.

PLO leader Yasir 'Arafat criticized Rabin's remarks Monday and accused Israel of delaying Palestinian elections.

Rabin also said at the press conference before leaving for Seoul that the growing strength of Islamic fundamentalist terrorism in the Middle East, with the backing of Iran, threatens the peace and stability of the region and indirectly urged Japan to halt extending official development assistance (ODA) to Iran.

He said commercial deals between Iran and European and Japanese firms, and the rescheduling of debt by the international community, will "give more money to the Iranians to invest" for military purposes.

In May 1993, Japan lifted a nearly 18-year freeze on fresh loans to Iran, pledging to loan 38.6 billion yen to help it finance a power project.

The United States has reportedly been informally urging Japan to review its aid policy toward Iran on suspicion that Tehran is supporting Islamic terrorist groups.

Turning to peacekeeping operations in the Golan Heights, Rabin assured Japan that the mission is safe, and solicited Japanese participation in the UN Disengagement Observer Forces (UNDOF).

He said there have not been any deaths during UNDOF activities and that it is one of the safest peacekeeping missions in the world.

Rabin's remarks follow the caution toward a planned Golan Heights mission expressed by many Japanese cabinet ministers Tuesday.

Rabin Seeks More Business Ties With Tokyo

OW1412063594 Tokyo KYODO in English 0546 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Israeli Prime Minister Yitzhaq Rabin asked Japan's trade ministry Wednesday [14 December] to take measures to encourage business interchange between Japan and Israel, a government official said.

Meeting with International Trade and Industry Minister Ryutaro Hashimoto, Rabin specifically called for the semigovernmental Japan External Trade Organization (Jetro) to open an office in Israel, the official said.

Hashimoto was quoted as saying it is difficult for Japan to meet that request within the next fiscal year in view of the tight budgetary situation.

Instead, Hashimoto unveiled a plan to send an economic mission to Israel next February to promote Japanese imports from that country.

He was also quoted as saying Jetro is willing to sponsor a trade fair for Israeli products in Tokyo next year.

During the 40-minute meeting with Rabin at the Akasaka Palace, the government guesthouse, Hashimoto

revealed a plan to accept 12 experts from Israel and other Middle East nations in January to study Japan's tourism and regional industry.

The scheme, part of a multilateral aid program drawn up in 1991 under the leadership of the United States, is intended to promote the peace process in the Middle East, Hashimoto told Rabin, according to the official.

During a two-week stay in Japan, the 12 experts will visit various regional areas successful in particular industries, the official said.

Hashimoto was also quoted as saying Japan will accept a mission from Middle East nations, including Israel, in February, to study Japan's environmental policy.

The mission will visit an environmental center in Yokkaichi, a city in Mie Prefecture, western Japan, once notorious for pollution, the official said.

Appeals to Business Leaders

OW1412092494 Tokyo KYODO in English 0759 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Israeli Prime Minister Yitzhaq Rabin appealed to Japanese business leaders Wednesday [14 December] for closer economic ties between Israel and Japan.

Speaking at a welcome luncheon hosted by major business organizations, Rabin called on Japan to provide aid to Arab nations and make efforts to promote business ties with Israel.

Rabin, co-winner of the Nobel Peace Prize, arrived in Japan on Monday for a four-day visit to Japan on the first leg of his Asian tour.

He expressed the belief that a breakthrough for peace in the Middle East has been achieved between Israel and some of the Arab countries, citing a move in some Arab nations to lift a boycott of enterprises having business ties with Israel.

Rabin said he expects Japanese enterprises to promote economic ties with Israel without fear of the Arab boycott.

He noted the need for Japan to provide aid for improvement of the living standards of Palestinian residents in Palestine and Jordan.

Rabin urged the Japanese business community to strengthen its partnership with Israel, saying the country does not need aid.

Tokyo Role in Bank Plan Urged

OW1412055294 Tokyo KYODO in English 0355 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Israeli Prime Minister Yitzhaq Rabin expressed hope Wednesday [14 December] for Japan to take part in a

U.S.-proposed plan to establish a multilateral Middle East Development Bank, a Japanese official said.

Rabin made the request during a 30-minute meeting with Finance Minister Masayoshi Takemura who refrained from offering any immediate commitments, the ministry official said.

The Israeli prime minister told Takemura that the United States will call on other major industrialized nations and related Mideast nations to hold talks on the development bank plan, the official said.

But Takemura sidestepped the issue by offering no comments, he said.

Otherwise, Takemura agreed, as Prime Minister Tomiichi Murayama did in earlier talks with Rabin, to strengthen bilateral relations with Israel and other Mideast nations in line with Japan's already positive multilateral commitments, the official said.

On bilateral ties with Israel, Rabin was quoted as saying that his country wants the Japanese Government to facilitate entries by Japanese companies mainly through loans from the Export-Import Bank of Japan.

Takemura supported the need for such deeper economic ties, promising to consider Ex-Im Bank loans on a "case-by-case" basis, the official said.

But there were other concrete request and offers made at the meeting in relation to the finance minister's matters, the official said.

Considering Japanese aid on dams and other water development projects on the Jordan and Yaemuk rivers, Takemura repeated Japan's stance expressed earlier by Murayama and other leaders.

He was quoted as saying that Japan will consider the projects after the Mideast nations reach a "comprehensive" agreement.

Government 'Confused' Over FTAA Proposal

OW1312094094 Tokyo YOMIURI SHIMBUN in Japanese 13 Dec 94 Morning Edition p 7

[FBIS Translated Text] On 11 December, an agreement was reached at the Americas Summit of 34 Western Hemisphere nations on creating a Free Trade Area of the Americas (FTAA). In reaction, the government says that the creation of the FTAA is part of a U.S.-led blueprint for free trade zones. The government, however, is confused about how to define the FTAA, saying: "We still cannot fully understand how the FTAA will carry out its activities in the future," (according to the Ministry of International Trade and Industry). For this reason, some government officials are guarding against the FTAA, saying: "The government needs to continue monitoring the FTAA in order to keep it from evolving into an exclusive economic bloc," (according to the same ministry).

The FTAA aims to remove current tariff and non-tariff barriers in North and South America on condition that they will not be removed for nations other than FTAA members nations. The United States, seeking to use the North American Free Trade Agreement [NAFTA] as a foothold to expand the idea of free trade zones, has insisted on transforming the Asia-Pacific Economic Cooperation (APEC) forum into a free trade zone at meetings and summits of the APEC. NAFTA went into effect in January this year.

The idea of free trade zones could lead to exclusive liberalization of trade within a specific region. For this reason, the APEC has strongly reacted against the U.S. insistence and persuaded the United States to drop the insistence, claiming: 1) "Asian nations are considering the expansion of trade liberalization to nations other than APEC member nations"; and 2) the APEC aims at "open regionalism."

As a host nation for the meetings and summit of the APEC next year, Japan will play a role of coordinating differences between the United States and Asian nations. The government is guarding against the possibility that the United States may intend to use the creation of the NAFTA and the FTAA as a lever to announce a new trade strategy involving Asian nations.

Asian Economies Affect Rebound From Recession

952A0060A Tokyo NIHON KEIZAI SHIMBUN in Japanese 4-8 Oct 94

[Article in four installments by the Business Trend Study Group: "Asian Economies Pulling Japan Out of Recession"]

[4 Oct 94 p 1]

[FBIS Translated Text] **Capital Investments Going Overseas**

The economy is slowly turning upward, but the economic recovery differs somewhat from the usual pattern. The market for Japanese products has expanded because of Asia's high economic growth. On the other hand, the influx of low-priced goods has become a factor in restraining the expansion of domestic demand because of the impact on Japanese small- and-medium enterprises and the outflow of capital investments to Asia while domestic investments remain sluggish. The economy can no longer be discussed without including Asia. The bright and dark effects on Japanese economy will be examined.

Domestic Investments Smaller Than Overseas Investments

Nippon Seiko Co., the largest bearings manufacturer, is hurrying construction of new plants in Indonesia and Malaysia. The purpose is to supply Japanese electrical machinery manufacturers that have established local plants.

On the other hand, the company is planning to downsize the automobile bearings plant scheduled to be constructed in Ukiha Town, Fukuoka Prefecture. The reason is decreased domestic demand. Nippon Seiko's domestic investments this fiscal year amount to 10 billion yen, a drop to 30 percent of the highest level of 36 billion yen set in FY90, and smaller than overseas investments for two consecutive years.

Partly because of the yen appreciation, the move to construct plants in Asia is strong among labor-intensive industries. Before next April, Konica Corp. will transfer compact camera assembly work from its Yamanashi Prefecture plant to Taiwan. Hajime Unoki, president of Aiwa Co., which is producing 80 percent of its products overseas, says, "We will not increase production of audiovisual equipment in Japan."

According to the Japan Development Bank, with 100 as the index for domestic capital investments, the ratio of overseas investments in FY94 will be approximately 41 percent for electrical machinery; approximately 34 percent for transportation equipment, including automobiles; approximately 15 percent for the manufacturing industry in general; and overseas investments by the manufacturing industry will increase by approximately 18 percent over the previous year.

As capital investments shift overseas, machinery exports are increasing.

According to the Japan Machinery Exporters Association, the export of industrial machinery to nine Asian countries from January to June of this year increased by 18.5 percent, in dollar denomination, over the same period of the preceding year. Ryuichi Oyama, Tsugami Corp. president, says, "The machine tool industry is being supported by exports to Asia."

Promising Clients for Loans

For banks, Japanese corporations that invest in Asia are promising clients for loans. Domestic loans by city banks decreased from the previous year, but Asia-directed outstanding loans, as of the end of September, showed an increase of approximately 10 percent over the same month of the preceding year. Toshio Morikawa (Sumitomo Bank president), chairman of the Federation of Bankers' Associations of Japan, predicts that, "as Japanese corporate activities increase in Asia, loan requests and amounts should increase."

Yamaha Motor Co., which had undertaken joint production of two-wheeled vehicles in Chongqing, PRC, was unable to obtain funds for parts procurement in May, immediately prior to the start of production, because of PRC's monetary tightening. Yamaha borrowed \$3.75 million from Dai-Ichi Kangyo Bank's Shanghai Branch and, with that as the collateral, borrowed 30 million yuan from the Guangdong Development Bank.

Through capital investments crossing national borders, machinery manufacturers and banks are finding new

opportunities to earn income. However, there is a reaction and capital investments are weak domestically. Domestic capital investments (by 1,987 major companies, including listed corporations) for FY94, compiled by Nihon Keizai Shimbun Co., show a decrease of 3.5 percent from the preceding year, the third consecutive year showing a decline.

Because capital investments have been restrained till now, the adjustment of capital stock (total volume of production facilities) has progressed, but in the case of automobiles, there is an excess capacity of 3 million vehicles (approximately 20 percent) in the country and the fear of overcapacity has not vanished.

Industrial Decline Accelerating

Lower equipment prices are another reason for the decrease in domestic investment outlay. Since the start of this year, Star Micronics Co., Tsugami Corp., Citizen Watch Co., and others, have started selling CNC (computerized numerical control) lathes which are about 30 percent cheaper than older types. Reflecting on the fact that "we had to buy expensive machinery during the bubble period" (Yuichi Nakamura, Mitsubishi Motors Corp. president), users are now carefully considering performance requirements and selecting inexpensive products to do the job.

For these reasons, the economic recovery pattern is not one in which expansion of domestic investments leads to increases in personal income and consumption spending. Capital goods exports to Asia will also decrease when production transfers to local sites have run their course.

In addition, industrial decline will accelerate in this country as plants are moved overseas. According to the survey by the Japan Machinery Exporters' Association, the ratio of production in Asia in the manufacturing industry's total output will reach approximately 18 percent in FY94, an increase of about 6 percent as compared with two years ago. Moreover, companies will reimport a portion of the low-priced goods produced in local areas so domestic production will be further suppressed. The Sanwa Research Institute estimates that "domestic production decreased 2.34 trillion yen during the past year and a half because of the sudden increase in imported goods."

Meanwhile, cases have begun to appear where financially strengthened Asian corporations are making investments in Japan. Pohang Iron and Steel Co. of the ROK purchased the plant of the former Fukuoka Kohan Kogyo Co. in Kita-Kyushu City for nearly 1.2 billion yen in May 1994 and then purchased a building in Ginza, Tokyo, for approximately 10.3 billion yen in September.

Also, Kia Motors Corp. of the ROK will invest 4.5 billion yen to construct an advanced technology research center in Inzai Town, Chiba Prefecture. They signal the arrival of the age when Asian enterprises mutually cross

national borders to make investments, but these cases are still rare. It appears that it will take time before domestic capital investments, including the inflow of foreign capital, will turn upward and lead to full-scale economic recovery.

[5 Oct 94 p 1]

[FBIS Translated Text] Cycle Warped by Increased Imports

Visitors from Taiwan are increasing at the "Haustenbos" theme park in Sasebo City, Nagasaki Prefecture. Last year, there were about 100 visitors a month, at the most, but in July 1994 there were 12,000 persons and, in August, over 8,000. There were days when nearly 100 of the 860 rooms of the hotel in the park were occupied by Taiwanese visitors. This contrasts with the decline of domestic visitors since last summer.

Asian Customers Increasing Rapidly

The sales campaign in Taiwan seems to have worked. "Haustenbos" is considering opening a resident representative's office in Taipei. Yoshikuni Kamichika, president of the company, is hopeful that, "since the Taiwanese economy is good, we can expect 200,000 visitors next year."

Although Japanese prices have risen because of the yen appreciation, it has been reported that "more and more Chinese are coming on shopping tours in buses" (Laos Co., home appliances dealer in Akihabara, Tokyo). Of the visitors to Tokyo Disneyland since its opening over 11 years ago, 5.5 percent have been foreigners, of whom approximately 60 percent have been visitors from Asia. Asians, whose incomes have increased, are valuable customers now for consumption-related businesses.

From the standpoint of supplying low-priced products, too, Asian nations are supporting Japan's economic recovery.

The Korean-made videotape which The Daiei Inc. started selling in June 1993 is "about 30 percent cheaper than the Japanese tape" (said company). During the first year, the company sold 7.5 million tapes, 2.5 times the initial target. The company aims to sell approximately 18 million tapes annually, including new tapes made in the United States and assembled in the PRC, and if successful, it will have nearly an 8-percent share of the Japanese videotape market.

Each and every type of cheap imported good, such as Malaysian-made VTR's [video tape-recorders], Korean-made compact cleaners, Thai-made permanent-press shirts, etc., are flowing in. The reason is that, in addition to the yen appreciation, production consignments in Asia by supermarkets and reimports by Japanese manufacturers are increasing. According to Ministry of Finance trade statistics, the number of home-use VTR's imported during the April-June quarter of this year

increased about 2.3 times over the same period of last year, and color TV sets increased about 1.7 times.

Slight Effect on Increasing Profits

According to tentative calculations by the Japan Research Institute, when consumer prices fall 1 percent because of the effect of increased imports, etc., the real economic growth rate rises 0.5 percent the first year and 0.7 percent the following year.

However, the rapid increase of cheap imported goods from Asian nations naturally threatens competitive manufacturers in this country.

Tokai Co., a large manufacturer of disposable lighters, actually went bankrupt in late May. At its peak period, the company's share reached 70 percent of the domestic and 50 percent of the world market, but Shinichi Shiratori, the president, reveals, "we were hurt badly in the U.S. and European markets by the price-cutting offensive of Chinese manufacturers." In the domestic market, too, the company could not compete with products of other Japanese intraindustry firms that manufacture in the Philippines, Thailand, etc. To restructure, Tokai is presently considering the transfer of production to Asia.

Also, even if the consumption volume increases because of the drop in prices, it is still unknown whether that would lead to better corporate earnings. At the main Isetan department store in Shinjuku, Tokyo, partly because of lower prices, the sale of fashionable imported brand-name goods is on the upswing; for example, the September sales of Italian "Etro" clothing and merchandise increased 70 percent over the preceding year.

However, Kazumasa Koshiba, Isetan Co. president, is not too happy because "the areas are few in which decreased prices can be covered by increased volume." He is looking forward to the yearend tax reductions and the arrival of a severe winter when winter clothing sells well.

The number of new automobiles sold in September increased by 6.4 percent over the same month of the preceding year, but price-cutting wars are being waged among the dealers. "Toward the end of the month, when competition is strong to sell as many cars as possible, there are dealers whose losses swell for each car sold" (a large dealer in Tokyo).

Slight Improvement in Employment Situation

Furthermore, even if consumption increases, production will not increase substantially if much of the spending goes to imported goods. Though there are differences in degree, the trend of "consumption recovery without production increase" has spread to various sectors. If that trend strengthens, personal incomes will not rise very much.

The August jobs-to-applicants ratio (ratio of job offerings to job seekers) was 0.63, a rise of 0.01 percent above

July. However, many companies are trying to secure personnel by hiring low-cost temporary employees. The August earnings of the temporary help services company, Persona (Shibuya, Tokyo), showed an increase of 17 percent over the same month of the preceding year and September, too, seemed to have shown a 17-percent rise. Yasuyuki Nambu, Persona Group representative, points out that "the demand for temporary hire increases when companies are uncertain about the future economy."

According to the Institute of Labor Administration, the average compromise figure for this winter's bonus of the listed companies, which have already settled, is 3.1 percent below that of last winter.

Because of the increase in the number of companies that have transferred production to Asia, the favorable cycle—consumption recovery leading to increased domestic production and, in turn, to increased personal incomes and further revitalization of consumption—is not operating as effectively as before. Real consumption has been revitalized by price declines from the inflow of imported goods, etc., but it appears that its sustainability and buoyancy are not the same as in previous recovery periods.

[6 Oct 94 p 1]

[FBIS Translated Text] Difference in Earnings Recovery Tempo—Group Utilizing Local Vitality Leading; "Competitive-Type" Industries Still Struggling

Japan is having a tough fight in the "marine transportation war" underway in the Pacific Ocean. Shipping companies of countries, such as Taiwan and the ROK, are closing in with cheap freight charges as the weapon and now, of the transporation volume by container ships on the North American run, the share of Asian companies rose to nearly 50 percent while Japan dropped to about 30 percent.

Increased Share of Demand Taken Away

The rise and fall in share are reflected in profits; for example, the business returns of Taiwan's Yangming Shipping Co. for the year ending in June 1995 are expected to be approximately 1.83 billion Taiwan dollars (approximately 7 billion yen), about twice that of two years ago. The business returns of Japan's five major overseas shipping companies for the year ending in March 1995 are estimated to total 20.7 billion yen, a decrease of approximately 40 percent from two years ago. Isao Shintani, Kawasaki Kisen Kaisha president, says with a sigh that "competition with Asian companies will only intensify."

The bicycle industry is also being pressed by Asian firms. During the half-year period until this May, internal shipment by domestic manufacturers decreased 3 percent from the same period of the preceding year, but imports, centered on Taiwan, increased approximately 30 percent to about 1 million bicycles. It appears as

though the increased portion of the demand was taken away by Asian firms. Maruishi Cycle Industries, a major manufacturer, does not expect to avoid current losses during this November settlement period.

Companies which are competing with Asian firms in sectors where price competitive power is decisive, such as shipping and bicycle industries, are struggling. However, companies which have incorporated Asia's growth power are recovering a step ahead.

Local Production a Success

Bridgestone Corp. is producing and selling tires at its Thai and Indonesian subsidiaries. Sales during the December 1994 period are estimated to increase 10 percent and 20 percent, respectively, over the previous period. With U.S.-European subsidiaries turning in favorable performances, too, Bridgestone expects this period's consolidated recurring profits at 56 billion yen, a 50-percent increase.

In the case of Victor Co. of Japan, which produces audio and visual equipment in Malaysia, 14 percent of domestic sales, on a combined basis, are products made overseas. The company's recurring profits and losses are expected to turn around to show a favorable balance for the first time in four years.

Japanese companies that produce locally in Asia and businesses that supply parts and mechanical equipment to local enterprises are generally doing well. The recurring profits of Nippon Electric Glass Co. for the period ending in March 1995 are expected to be 8.5 billion yen, up nearly 90 percent from the preceding period. Shipments of glass for cathode-ray tubes to Japanese TV plants in Southeast Asia have increased, and exports during the September midterm period have already grown approximately 40 percent over the same year-earlier period.

Sumitomo Bakelite Co. revised its estimated current profits upward to 1.2 billion yen for the March 1995 period. A big reason is rising exports of "encapsulating materials," one of the materials to produce semiconductors, to Asia. "Declining profitability because of yen appreciation is being covered by increased volume" (Director Yamato Mato).

Because of the rapid increase in exports, April-July machine tool orders at Hitachi Seiki Co. increased approximately 10 percent over the same period of the preceding year. Nearly half of the exports are bound for Asia. Orders from Japanese companies that established local plants stand out. Additionally, with rationalizations benefits, current deficits of approximately 7.1 billion yen for the March 1994 period might drop to about 900 million yen in the March 1995 period. Goro Tejima, the president, says, "The effects of the industrial decline cannot be seen because exports are on the upswing."

Reflecting the expansion of consumption in Southeast Asian countries, exports of color film and developing equipment are also increasing. For this reason, Konica's current profits for the March 1995 period are estimated to increase 30 percent to 8.5 billion yen, an upward turn after five settlement periods.

Bright and Dark Sides of Higher Materials Prices

The materials industry is flourishing, too, from Asia's high growth. For Tosoh Corp., the demand for vinyl chloride, its main product, has risen rapidly in Asia and both the export volume and price have moved upward. Combining the benefits of personnel cost reductions, current losses for the March 1995 period are expected to decline from 5 billion yen, the initial estimate, to about 1 billion yen. Director Kazutomo Alimoto is hopeful that, "depending on products, the upturn of overseas market conditions might lead to a rise in domestic prices of some items."

The same is true of the steel industry. The trend of exports to Japan by the ROK's Pohang Iron and Steel Co. is drawing the industry's attention, but Akira Hiranuma, Nomura Research Institute analyst, estimates that "the demand for steel is strong in ROK and exports to Japan by Pohang should decline from the 1.98 million tons recorded in 1993 to 1.8 million tons in 1995." If that happens, that would be good news for Japanese steelmakers.

Of course, the rise in materials prices has negative effects. In the paper manufacturing industry, the import price of paper pulp, the raw material, suddenly doubled late last year's price, partly because of increased demand in Southeast Asia. Different companies raised the price of the main printing paper in October, but the rate of price hike was limited to about 10 percent by the demand-supply situation. Hisata Miyagi, Chuetsu Pulp Industry Co. vice president, claims that, "Because the pace of raw materials price increase has been too fast, it is difficult to get on the track to better earnings."

Thus, the effect of Asia's high growth on Japanese business earnings varies by industry and company. In general, companies which have integrated with the local economy and are utilizing its vitality by transferring production to local areas are showing better results in returns. In contrast, competitive-type enterprises that are competing directly with Asian companies in the same fields are struggling because of differences in wages levels and the yen appreciation.

According to calculations by the Nihon Keizai Shimbun Co., recurring profits of listed companies (excepting the finance industry) for the March 1995 period are expected to show an increase after five years, but the margin of increased profits will be limited to 6.4 percent above the preceding period. Reduction of fixed costs, including personnel expenses, is partly responsible so, for the present, the basic tone of earnings revival power is weak. For that reason, the capability to exercise

management that can cope with Asia's high growth and changes in industrial structure will probably affect earnings to a great degree.

[7 Oct 94 p 1]

[FBIS Translated Text] Risk in Recovery Led by Localities

It has become evident that the economy is turning around in the localities ahead of metropolises, including Tokyo.

Kyushu and Shikoku Holding Firm

The survey by the Ministry of International Trade and Industry [MITI] of mining and manufacturing industries' output by region reveals that production is relatively steadier in Kyushu, Shikoku, and Tohoku than in the metropolitan areas. Similar trends can be seen in department store sales, household consumption spending, and housing construction starts.

Loan requests are also picking up faster in the regions. The outstanding loans of all banks, as of the end of June, were less than that of the preceding June in Tokyo, Aichi, and Osaka, but had increased 6.1 percent in Tokushima, 5.4 percent in Aomori, and 4.7 percent in Nagano Prefectures.

What are the reasons for this difference? First, there is the possibility that effects of public works, which had been increased as an economic revival measure, were far greater in the regions. That is, regional economies are far more dependent on public works than metropolitan finances. Also, the decline in private construction caused by the collapse of the bubble was relatively mild in the regions.

Another reason is that many of the newest semiconductor, liquid crystal display, and automobile plants are located in the Tohoku region and Kyushu. Seeking cheap land, plentiful manpower, and good-quality industrial water supply, electrical and automobile manufacturers built plants in the regions during the 1980's. Hisao Hiramata, executive director of the Tohoku Industrial Promotion Center, says, "Every plant is highly productive and should not become the target of corporate restructuring."

Furthermore, because of the big demand for semiconductors, etc., manufacturers are newly constructing or enlarging facilities. In the Tohoku region, Oki Electric Industry Co. is spending 40 billion yen to construct the second-phase production line for semiconductors in Miyagi Prefecture; Tohoku Semiconductor Co. (Sendai City), a joint company of Toshiba Corp. and U.S. Motorola Corp., is spending 27 billion yen to augment facilities; Fujitsu Ltd. is enlarging the capacities of Iwate and Aizu Wakamatsu plants—thus, large-scale investment plans abound.

In Kyushu, the plants of Toyota Motor Corp. and Nissan Motor Corp. are in full-scale operation. At Nissan's Kyushu plant (Fukuoka Prefecture), passenger car production transferred from the Zama plant (Kanagawa Prefecture) is going on at an accelerated pace. NEC Kyushu Co. (Kumamoto City), Tokyo Electron Ltd., and Sony Nagasaki Co. (Isahaya City) are planning investments related to semiconductor and liquid crystal display production.

Direct Links With Asia

Exports are supporting the recovery of production and capital investments in Tohoku and Kyushu. In particular, exports of memory semiconductors to Asia and United States are increasing rapidly. According to Ministry of Finance trade statistics, the total number of memory units exported from January to June to four countries—Singapore, Philippines, Thailand, and the PRC—increased by 20 percent over the same period of the preceding year.

Exports from the Kyushu and Yamaguchi areas to Southeast Asia in 1993 rose 15 percent over the previous year. Nippon Tungsten Co., the superhardened tool manufacturer in Fukuoka City, formed a joint company in Thailand and is practically the sole supplier of superhardened tools to Japanese electrical manufacturers which established local factories. Cases like these, where regional enterprises tie up directly with Asia, have increased.

Hidden behind these bright accounts, industrial decline is gradually worsening—particularly in the industrial districts of metropolises. Kansai Netsu Kagaku Co. (Amagasaki City, Hyogo Prefecture), a coke processor, closed its plant in Ogi Town, Amagasaki City, in late September. Partly because of that, the idle land along Amagasaki City's southern coastal area enlarged to about 14 times the size of Koshien Stadium. In the Sennan district of Osaka Prefecture, towel manufacturers, which numbered about 700 companies five years ago, were reduced by half. Minoru Shigesato, chairman of Tsubame Towel Co. (Izumisano City), which is still carrying on independent production, admits that, "in the long run, we might have to consider imports from PRC and Vietnam."

Subcontractors are suffering, too, even in the regions. Funai Electric Co. (Daito City, Osaka Prefecture) started to concentrate production in four PRC plants two years ago. In the process, the company notified its subcontractor, Ikeda Kosan Co. (Ikeda Town, Tokushima Prefecture) that it was canceling orders.

In Ota City, Gunma Prefecture, which has over 800 parts and subcontracting companies affiliated with Sanyo Electric Co. and Fuji Heavy Industries, the suggestion was brought up to undertake a mass entry into PRC. A survey is being conducted, including the dispatch of an inspection team to Shangdong Province's industrial district.

Doubts About Competitive Power

Even the dominant electronic parts industry is being hard pressed by Asia. ROK's Samsung Electronics Co. became the world's top leader in memory semiconductor sales last year. It has also entered the sophisticated field of thin-film transistor-type liquid crystal display. Many in the electrical machinery circle voice the concern that, "against the ROK with its low personnel costs and abundant capital funds, Japan's competitive power will weaken rapidly." U.S. firms, including Texas Instruments, are increasing semiconductor-related investments in Taiwan and Singapore and should become formidable rivals for the advanced industrial plants in Tohoku and Kyushu.

Furthermore, because of the worsening fiscal balance and the limitations on government investment and lending funds, measures to revive demand through fiscal means cannot be counted on as heavily as in the past. There is a latent risk in the "economic recovery led by regions."

[8 Oct 94 p 1]

[FBIS Translated Text] Growth Market Sways Policies—Accelerates Rise in Interest Rates

It appears that the Asian economy has begun to jolt the advanced countries' financial markets.

Reflecting economic recovery forecasts and U.S. concern about inflation, the upward trend of U.S.-Japanese long-term interest rates is gaining momentum. On the 7th in Japan, the effective yield of the indicator national bond rose to 4.7 percent per annum, an increase of about 1.8 percent since the start of this year. On the same day, the yield of the U.S. 30-year bond rose, at one time, to the 8-percent level for the first time in nearly two-and-a-half years.

"Need \$1 Trillion"

According to Hisa Shito, Funds Processing Division chief of the Credit Suisse's Tokyo branch, one reason is that "the market is watching the possibility that a worldwide shortage of funds might emerge because of the rapid growth of the Asian economy." At the seven-nation meeting of finance ministers and central bank presidents (G-7), which convened on 1 October in Madrid, the chairman pointed out in his statement that "the demand for capital investments has expanded in many areas and the gap with international savings has widened."

In its annual report released this spring, the Asian Development Bank revealed its tentative calculation that "the Asia-Pacific region will need a maximum of \$1 trillion in funds before 2000 to build up the societal production infrastructure, such as power generation, communications, etc." According to the World Bank's calculation, long-term funds amounting to \$59.3 billion, approximately 15 percent more than the previous year,

flowed into the East Asia-Pacific area in 1993. If \$1 trillion are needed within a period of seven years, that would mean that nearly triple the amount of funds would be required annually than heretofore.

In PRC, retail prices jumped more than 20 percent over the previous year and controls are being tightened, but in Asia, in general, high growth is expected to continue next year. The International Monetary Fund (IMF) estimates that the real growth rate of the 22 countries and regions in Asia will be 8.0 percent in 1994 and 7.3 percent in 1995.

Asia's high growth might boost the international commodity market and this might lead to further increases in long-term interest rates.

Financial Authorities Facing Difficult Problems

International market prices of nonferrous metals, such as aluminum and copper, are rising in anticipation of increased demand from countries such as the PRC and Thailand. Prices of natural rubber, too, are soaring because the PRC is increasing production of tires and belt conveyors. The closing price on 7 October in the near futures market of the Tokyo Commodity Exchange for Industry was 158 yen per kilogram, approximately 77 percent higher than at the beginning of this year.

Various Japanese producers of corrugated cardboard paper exported this year to Asia for the first time in four years. There is a shortage in local area supplies. Also, the PRC became a crude oil importing country for the first time in 1993. Akio Shibata, head of the Industrial Research Section of Marubeni Corp.'s Research Division, thinks that "the PRC will become a major destabilizing factor in the international commodities market."

The rise in commodity market prices will lead to increased costs for processing and assembly industries that use those commodities as raw materials. If long-term interest rates rise further as commodity market prices increase, the burden on companies will become heavier.

Japanese monetary authorities want to maintain interest rates at a low level to help dispose of financial institutions' bad debts and encourage capital investments, but there is concern now that Asia's high growth will not permit that. Kikuo Iwata, Sophia University professor, thinks that, "as the economy recovers worldwide, management of financial policies will become increasingly difficult."

Of course, the growth of the Asian economy is advantageous to the Japanese economy in many respects.

For example, exports of machine tools and parts, directed mainly to Asia, are favorable. Many manufacturing enterprises are earning profits through local production. Imports of low-priced goods from Asia are increasing, partly because of the yen appreciation, and the real purchasing power of consumers has risen.

However, the influx of inexpensive goods is hurting small domestic manufacturers and distributors. Also, companies occasionally increase capital investments in Asia though domestic investments remain sluggish. The Industrial Bank of Japan estimates that capital investments in FY95 will decrease by 3.7 percent from the preceding year.

From a long-range viewpoint, the effect of industrial decline on employment will become a major problem. According to trial calculations by the Sanwa Research Institute, if direct investments increase 10 percent each year, domestic employment will decline by 950,000 persons by the fiscal year 2000.

Measures To Encourage International Division of Labor

It can be anticipated that with such deflationary pressure working, recovery will be based indefinitely on weak domestic demand. Faced with that situation, concern is arising that the effect of not only monetary policies but fiscal policies will be weakened.

On the 7th, the government approved a new public investment basic plan amounting to 630 trillion yen. However, the Economic Planning Agency is becoming concerned that the demand created by public works investments might "leak out" overseas.

For materials and equipment needed in public works investments, Asian products are beginning to be used. Since materials and equipment used in public works must meet the Japan Industrial Standards (JIS), as a rule, there are still only a few imported items, but the Ministry of Construction is favorable to the idea of simplifying the standards in order to reduce costs. There is a possibility that imports of materials and equipment from Asia might increase rapidly in the future. If that happens, the effect of public works investments on creating domestic demand will be diluted.

If both fiscal and monetary policies cannot be expected to be as effective as before, companies must convert independently to industries with high-added values and promote an international division of labor with Asia. To support that, too, deregulation and market liberalization will become even more important.

Smaller Businesses Establishing Asian Bases

952A0108A Tokyo NIHON KEIZAI SHIMBUN in Japanese 20-22 Oct 94

[Article in three installments by Osaka Economic Department reporters Satoru Ogiwara and Hiroshi Murai: "Japanese Small and Medium Manufacturers Taking Root in Asia"]

[20 Oct 94 p 13]

[FBIS Translated Text] "Separation From Parent Company" Progressing: Anxious To List Stock on Market; Strengthening Ability To Raise Funds Toward Increasing Production

In Southeast Asia Japanese small and medium manufacturers are pushing ahead with localization of operation. Responding to the overseas shift of major manufacturers of finished products which is occurring will because of the strong yen, the number of companies which strengthen their ability to raise funds by listing their stock on markets at the point of overseas operation and put effort into training talented staff has increased. But it is also true that one also faces difficulties because it is development overseas, and that it is not merely a time of sailing with full sails and a favorable wind. We did a report on the front line of operating companies and explored the task of internationalization of small and medium companies.

Thirty-Five Companies Are Positive Toward Going Public

It is about 30 minutes west by car via expressway from the streets of Kuala Lumpur. In one corner of the Haicom Industrial Park, in which manufacturing plants of foreign-financed companies stand in rows, is Sanchirin Industry (president: Masahito Hiraishi), a local subsidiary of Sairaizu Industries (Fukusaki-machi, Hyogo Prefecture), a maker of parts for automobile air conditioners.

The matter of greatest concern at present is the listing of its stock on the second section of the Kuala Lumpur Stock Exchange. In the last part of September a plan to list the stock within two to three years was decided on at a director's meeting at which three Japanese and three local executives gathered. The outlook is for it to be the first listing in Malaysia for a company with 100-percent Japanese capital (before the listing). As a strategic move to prepare for listing, Sairaizu has promoted localization of procurement of funds ever since it began operating there in 1987. Its business with Japanese banks was only receiving guarantees when it first began operations there. Because added to the fact that in Malaysia there is regulation of loans from foreign capitalized banks, "In contrast to Japanese banks emphasizing the collateral strength of the Japanese parent company, local banks evaluate profitability and management policy" (Vice President for Financial Affairs Kit Liu Lin).

As a result of business expansion, at present the limit of funds which Sairaizu can borrow at short notice without guarantees or collateral is guaranteed to approximately 500 million yen. They say it is possible to borrow at a lower interest rate compared with a local branch of a Japanese bank because "even what is a small or medium company in Japan is looked upon as a good, large-transaction client here."

Among the approximately 600 Japanese companies that expanded operations to Malaysia, more than 10 listed their stock on the exchange, mainly subsidiaries of large companies. But, according to a survey which the Malaysia-Japan Chamber of Commerce and Industry conducted in May, of the 150 companies which responded, two companies were "in the midst of preparing to go public" and eight companies were "scheduled to go

public." When we include companies that "want to go public in the future," 35 companies were positive toward going public.

In Singapore a subsidiary of Osaka Meiban (Higashi Osaka), an injection- molding company, went public in September. In the Philippines Hata Die Cast (Ota Ward, Tokyo), a caster of nonferrous metals, is scheduled to be listed in 1997. In Indonesia, also, several such companies as Morishita Chemical Industries (Okayama Prefecture) are planning to be listed. The trend toward listing has steadily increased.

Decline in Strength of Parent Company Exerts Influence

The direct aim is to secure capital for the purpose of increasing production accompanying the strong yen. The only way to respond to the demands of those to whom delivery is made is to build up plant and equipment. In addition to public offerings of stock in Japan having become difficult, the aspect of it having become difficult to raise money because of a decline in the parent company's strength is also important. This also coincided with the time when companies which began overseas operations in the latter half of the 1980's have passed the stage of trial and error, and are taking root in the local area.

Moves by Japanese venture capital (VC) to win over companies that are preparing to list have also become active. Since its establishment in 1990, Nomura-Jafco Investment (Singapore), which is affiliated with Nomura Securities Co., Ltd., has provided capital to 33 Japanese companies, of which four are listed on the stock exchange. Company president Masayoshi Narita predicts: "Listing will increase steadily if understanding of the manner in which the Asian capital market is growing becomes deeper."

Responding to localization of the company, while on the one hand Nomura-Jafco is beginning in the local area the examination work which it was assigned by the parent company, it is studying establishment of a "Japanese branch" in the near future. Its aim is to export back to Japan talented staff who have accumulated experience in Asia, and to firmly establish a management setup by a dual system of local subsidiaries and parent company.

Cases have also begun to appear in which, backed by excess domestic funds, local venture capital provides capital to Japanese companies. One of them, Vice President B.C. Tan of OCBC and Walden Management, which is under the umbrella of a prominent Singapore bank, shows enthusiasm for expanding investment, saying: "Many small and medium Japanese companies are very strong in merchandise and technology, but have insufficient capital strength. We want to make information networks and know-how regarding going public in the locality our strong points."

Japanese Banks Also Put Effort Into Business of Assisting

Local subsidiaries of Japanese banks are also moving in a full-fledged manner into the business of assisting companies to list on stock exchanges by working in close cooperation with the local banks of companies in which they are investing. At the end of last year the Bank of Tokyo placed a person with the title "adviser on Japanese business" in the Securities Department of Bumiputra Merchant Bankers, the fifth-ranking commercial bank in Malaysia.

Behind this lay the fact that "the intentions of a local bank which began to turn its eyes toward obtaining a senior manager from a Japanese company and a Japanese bank that wanted to connect with expansion of loans coincided," (Adviser Ryoza Kakitsubo). Such banks as Sanwa Bank and Sakura Bank are also strengthening their influence on Japanese companies by each dispatching bank staff to banks to which they provide capital.

It can also be said that, in a certain sense, localization of capital and stockholders is a natural development for companies which seek to spread their roots in Southeast Asia. But, by listing shares on stock exchanges, companies escape from control by the parent company, and must conduct management which also gives consideration to local stockholders.

[21 Oct 94 p 13]

[FBIS Translated Text] Made in Market: Keep Pace With Customers' Development; Accelerate Shifting of Head Office Functions

"We subcontractors cannot survive unless we keep pace with customers' development." President Teruyuki Nakagawa of Showa Plastics Singapore (SPS), which manufactures cases for such home electrical appliances as television sets and VCR's in Singapore, emphasizes the importance of the "made in market formula" of manufacturing in the vicinity of the maker of the finished product.

Reducing Such Things as Distribution Costs

Showa Plastics (Osaka) established SPS, a local subsidiary, in Singapore in 1977 at the request of Sanyo Electric Co., Ltd. Later, geared to Sanyo's establishment of operations in Malaysia, in 1988 Showa Plastics built a plant there too. In the course of expanding its customers to such companies as Matsushita Electric Industrial Co., Ltd., Toshiba, and Sony, Showa Plastics also expanded to Indonesia and China, and is now building a plant in Vietnam. Because it is necessary to satisfy the demand that, "If we place an order in the morning we want to have it delivered before noon," every plant is within about 30 minutes of the customer by car. At the same time that it shortens transport time, it lowers distribution costs. The result of establishing more overseas

plants is that overseas production now accounts for 60 percent of the entire group's sales of about 20 billion yen.

Osaka Meiban (East Osaka), which began manufacturing plastic outer frames in Singapore in 1978, also shifted part of its production to Malaysia in April 1993. It is a short distance, less than an hour from its Singapore plant, but it began the development because it can reduce personnel costs by 40 percent. Therefore, it is segregating niches by converting the Singapore plant to the manufacture of high value-added products.

Morino Industries (Ota Ward, Tokyo) has manufactured personal computer monitors and parts for minicomponents in Singapore. Accompanying the shift of production of minicomponents from Singapore to Malaysia by its customer, Aiwa Co., Ltd., Morino searched for a plant site, but was unable to find a suitable site. Thereupon, by investing in a local subsidiary of Tokyo Byoken (Tokyo), it managed to operate by building a plant on a corner of Tokyo Byoken's land. One can probably say that it shows that astuteness in pursuing customers is strongly required.

Even if one establishes a production base in this manner, a further difficulty awaits. It is development of local staff into a competitive force because one does not have the leeway to dispatch leading staff from Japan each time one builds a new factory. But in Southeast Asia there are also many talented persons who can speak more than one language, such as English and Chinese, and judging this to be profitable in opening operations in other countries, every company is putting effort into discovering and cultivating this kind of talented staff.

Schools for Training Technicians

In the Malaysian subsidiary of Nissei Electric Machinery Industries (Osaka City), which has injection-molding plants in Malaysia and Singapore, and also has in its field of view expansion to such places as China and Vietnam in the future, only 19 of its 1,800 employees are Japanese. It has also appointed two persons from the local area as executives. In January 1995 it will establish what will be the first specialized school in Malaysia for metal casting technicians. It will build dedicated classrooms on the second floor of a newly established factory and will provide work places for practical training and Japanese technicians who will lecture on construction and design of metal castings. The opportunity arose because there was a request from the government of Malaysia's Penang State that it "wishes to cultivate technicians who will be receptacles of technology transfer in order to expand the base of the economy." Chairman Eizo Tsujihana says: "if technology transfer advances, Japanese firms, too, will be able to procure parts in the local area, so it will also be possible to move research and development bases," emphasizing that it will be a plus over the long term.

Efficient Reinvestment in the Local Area

A movement to "become an Asian head office" which would assume control of the financial affairs and so on of

subsidiaries in all areas has also begun. While on the one hand the Singapore local subsidiary of Showa Plastics holds stock of multiple local subsidiaries, such as those in Indonesia, Malaysia, and Hong Kong, it is lending them capital raised in Singapore's offshore markets. It is judged that it will be able to raise money in a comprehensive manner in all the regions of Asia if the listing of those local subsidiaries becomes a reality next year.

The basic idea is: "it is more efficient to reinvest in the local area the money made in the local area without sending it back to Japan." In the aspect of taxes, it is more advantageous than transferring such income as interest and dividends to Japan. Exchange of funds without going through Japan has become central.

In opposition to the movement of Japanese manufactures to expand production bases in every area of Asia, measures to keep them in check have also come to be devised by such as the government of the first country to which operations are expanded.

Singapore worked out a policy which exempts foreign-capital companies from the listing-standard which limits the degree of dependence on a single customer and a single supplier. The aim is judged to be to control a shift to overseas by inviting listing of even Japanese companies which have a strong tone of keiretsu of finished product makers and parts makers. It shows that the sense of the existence of Japanese small and medium companies has grown stronger.

Japanese small and medium companies that have expanded to Southeast Asia have approached the stage where they are groping for localization that has in its field of view such countries as Vietnam, where up to now few companies have operated. The new task has become how to adjust to and overcome the unique labor environment and commercial practices of each country.

[22 Oct 94 p 10]

[FBIS Translated Text] Japanese Head Offices Forced To Change

"K.R. Precision" [KRP], which Kyosei (Shinjuku, Tokyo), a manufacturer of computer parts, was established in 1988 with a Thai investment firm, each putting up one-half of the capital. Sales and employees each expanded rapidly: sales for the year ending in March 1994 to 2.5 billion yen, and employees to 800. It is a good contrast with the fact that Kyosei's sales declined greatly from a peak of 1.6 billion yen to 1.2 billion yen in the period ending December 1993 and staff also declined greatly from 105 to 70 because of the domestic slump in computers.

The "Margin" Is Not Accepted

To small and medium companies that set up operations in Asia, the rebirth of the Japanese head office is a problem that permits no delay. Head offices have made up for the decline in sales and profit because of lower

domestic production by taking a certain margin from the sale of raw materials to overseas subsidiaries and the business of overseas subsidiaries. There is also in many cases a royalty (fee for technical guidance) of 3 to 5 percent of the local corporation's sales, so it is like the existence of parents who make do with money provided by their children.

However, as localization of subsidiaries progresses, this kind of method, which has a strong aspect of the convenience of the Japanese head office, has begun to no longer be accepted.

Kyosei plans to apply to list KRP on the Thai Stock Exchange as early as some time this year, but it must greatly review the "cooperative relationship" of the two companies. It was pointed out by the stock exchange that "the system of KRP receiving supplies of raw materials from its parent company costs more than dealing directly with the maker of the raw materials, so KRP's rate of profit becomes lower." In the future Kyosei will not be able to add on an approximately 300 million yen per year in margin from KRP. Beginning in 1996, when the contract runs out, it will also no longer be able to receive royalty income, so only dividend income will be left.

Kyosei developed such new products as filters for automobile air bags, and has begun to rally to the point of maintaining sales for the current period at the level of the last period. It means that "we must devote ourselves to development and processing fields which demand advanced technology" (Managing Director Tatsumi Ota).

Switching to Direct Sales

There are also cases in which the Japanese head office ceases to handle orders from customers.

The four overseas companies of Muramoto Kosakusho (Kobe), which does metal press processing, account for 60 percent of its 25 billion yen production as a group. The head office in Japan was undertaking the larger part of sales, including products of the local subsidiary, but it is pushing ahead with a switch to direct sales because voices from customers in every region of Southeast Asia desiring direct sales, have grown loud, saying, "transactions via Japan are more expensive in comparison."

The result is that the outlook has become for the head office's revenue for the September 1994 period to decline by about 1 billion yen compared with the previous period. The situation is such that, on the grounds that, "with things like this it will affect the morale of main-office staff," the company is studying whether it is possible to make it a revenue increase in terms of the settlement of accounts by changing the account items of parts supplied to overseas.

It is said that among the companies in which Japan Asia Investment (Chiyoda, Tokyo) invests are cases in which operation of the local subsidiary is in a slump and it has become questionable whether it can survive until it goes

public. Makoto Sakurai, chief of the consulting department, says with a bitter smile: "In spite of the fact that by rights our job is planning the future of local subsidiary, there are times when we are intent on measures to prolong the life of the parent company," so the manner in which Japanese head offices are fighting desperately is conveyed to us.

But there are examples that one should use as a reference; for example, the way in which Murata Seisakusho and Nichicon exist. Both of them provide from the Japanese head office parts and materials that the overseas subsidiary is technically incapable of making. Products manufactured overseas are being sold by the overseas subsidiary's own hand, without passing through the Japanese head office. "We planned the optimum division of labor with transferring control of those things which should be left to the overseas subsidiary as the basic principle" (Nichicon Director Sumio Kato). Murata's exports are almost all calculated in yen. This is done against the background of its own technology being strong, and there being no competing manufacturer overseas.

Also Employment of a "System of Two Company Presidents"

There are examples among mainstay and smaller manufacturers, too, of wagering the survival of the Japanese head office, by using its own capability to develop technology as a weapon.

Photoelectronic Industry Laboratories (Uji City, Kyoto), a maker of photo semiconductors, is pushing forward with construction of a plant in order to shift its entire manufacturing process to the Republic of Korea by 1997. Coinciding with this, beginning in July it will introduce "a system of a dual Japanese-Korean company with two company presidents," and it aims at growth of the Japanese head office by making the segregation of niches clear.

The founder of the company, Chairman (Hirokazu) Nakajima, and Shoichi Ito, who is called "president of the international head office" inside the company, will reside in the Republic of Korea and will direct production and business with overseas companies. Meanwhile, the "president of the Japanese head office," Kunihiro Watanabe, will be in charge of product development and sales to Japanese companies. President Watanabe is bullish, saying, "The Japanese main office can grow at an annual rate of about 15 percent, with application-development of photo semiconductors as the main business. We also aim at going public in Japan."

One can say that the growth of Japanese small and medium manufacturers developing in Asia is also precisely because there existed the high technology and development capability and leadership of the Japanese head offices.

Seeds of new technology are born in Japan from the entrepreneurial spirit of "appoint young people of talent

and entrust the future to them even at the cost of reducing the salary of the company president," and lead to continuation of the idea of "Made in Japan" which is accepted in all the regions of Asia.

Compromise in Sino-UK Talks Over Hong Kong Urged

OW1412093494 Tokyo KYODO in English 0823 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Prime Minister Tomiichi Murayama on Wednesday [14 December] expressed hope Britain and China will narrow differences and reach a compromise over the transfer of Hong Kong sovereignty to China in 1997.

Saying Hong Kong's sustained stability and openness is vital to the entire Asia-Pacific region, Murayama told Hong Kong Gov. Chris Patten that Britain and China should conclude their talks on Hong Kong's future, Foreign Ministry officials said.

During a 20-minute conversation at the premier's official residence, Patten said he appreciated Tokyo's interest in the British colony's future, the officials said.

Patten, who arrived in Japan on Tuesday for a four-day stay, also reportedly said that Britain and China have some gaps in understanding over the transfer of Hong Kong's sovereignty.

Patten and Murayama agreed on the need for China to continue economic reform efforts and maintain its open-door policy to ensure Hong Kong's economic prosperity beyond the crown colony's return to China in 1997, the officials said.

Prior to talks with Murayama, Patten discussed with Foreign Minister Yohei Kono the future of Hong Kong and bilateral relations.

"We discussed the well-being of Hong Kong and the economic and trade relationship between Hong Kong and Japan," Patten told reporters after a 30-minute meeting with Kono at the foreign ministry.

Foreign Ministry officials said that Patten, in his talks with Kono, urged Japan to continue to hold an interest in the economic prosperity of Hong Kong.

Patten was quoted as saying, however, that he does not mean he wants Japan to take sides in the negotiations between Britain and China over the transfer.

Noting that there are about 2,000 Japanese companies and some 70 banks doing business in Hong Kong, Kono told Patten that Japan holds great interest in Hong Kong, the officials said.

Kono called for the smooth transfer of sovereignty to China, saying the stability and prosperity of Hong Kong is important for Asia and for the world.

In briefing Kono about the negotiations with China, Patten said that while cooperation with China has been expanding over the years in various fields, difficulty remains in the transfer negotiations because of differences in views on law and election systems.

The largest challenge is how to hand over sovereignty to China peacefully while maintaining Hong Kong's success till now, the officials quoted Patten as saying.

The visit is Patten's third trip to Japan as Hong Kong governor.

Murayama: Tokyo Seeks Enhanced Ties With ROK

OW1412094994 Tokyo KYODO in English 0933 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Prime Minister Tomiichi Murayama called Wednesday [14 December] for promoting all-level exchanges and bilateral cooperation with South Korea on the international scene to beef up ties between Tokyo and Seoul, a Foreign Ministry official said.

"Friendly relations with south Korea is a key pillar of Japan's foreign policy," Murayama was quoted as saying in an interview with the South Korean press.

"I hope we can promote exchanges at various levels of the peoples of the two countries and cooperation in the international arena," Murayama reportedly said.

The interview to be released on Jan. 4 by the South Korean media focused mainly on Japan-South Korea relations as 1995 marks the 50th anniversary of Korea's liberation from Japan's colonial rule and the 30th anniversary of normalization of relations between the two countries.

Murayama reiterated Japan's stated resolve to play an active role in creating a durable world peace as a nation of peace itself, which deeply repents on its military actions in World War II, the official said.

Murayama, Japan's first socialist premier in half a century, visited South Korea in July for talks with President Kim Yong-sam.

Touching on Japan's relations with North Korea, Murayama expressed hope Tokyo can somehow normalize ties with Pyongyang, according to the official.

Saying prospects for the resumption of normalization talks remain in the dark, however, he added that Tokyo will continue watching what action Pyongyang will take on the matter.

The premier also reportedly promised Japan will keep full consultations with South Korea on the possible normalization of relations with the communist north.

To resolve the issue of North Korea's alleged push for nuclear arms, he said, Japan is willing to shoulder a due

part of the financial burdens to provide Pyongyang with light-water nuclear reactors in cooperation with South Korea and other countries concerned.

On Japan's Asia policy, Murayama observed the role the Asia-Pacific Economic Cooperation (APEC) forum should play is increasingly important, the official said.

The premier reportedly said Emperor Akihito's visit to South Korea is a "question that needs to be carefully considered" and declined any further comment.

Asked when he will dissolve the House of Representatives for a general election, Murayama ruled out the possibility of an early poll and reiterated he will strive to resolve a mountain of pressing policy tasks at home and abroad, the official said.

Patent Accord With ROK Signed

OW1112131894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Dec 94 Morning Edition p 4

[FBIS Translated Text] On 10 December, the Japanese Patent Office director general and his ROK counterpart held a meeting in Seoul and agreed to tighten security measures over ROK products that violate Japanese patents, trademarks, and other forms of intellectual property rights. Recently, ROK products have been found to account for approximately 30 percent (in 1993) of all foreign products confiscated by Japanese customs officials for infringing on intellectual property rights. As a result of the growing impact of this situation, the Japanese Government has been asking the ROK Government for some time to tighten security measures. Under the latest agreement, the Japanese Government has decided to help the ROK Government promote proper patent examination by offering cooperation to the latter's efforts to computerize its patent examination process.

In regard to preventing exports of illegal products to Japan, ROK customs officials will try to prevent counterfeit goods and other illegal products from being exported to Japan in advance by reviewing various ROK products that have been confiscated by Japanese customs officials for patent infringements and other reasons. The ROK Patent Administration Office is reportedly approaching the ROK Customs Administration Office about proposing new legislation to tighten security measures.

Regarding Japanese cooperation in computerizing the ROK patent examination process, the Japanese Government plans to send to the ROK experts on such matters as the development of databases for searching patent information to provide technology and know-how to officials there. Japanese patent information will also be provided for a charge. ROK officials will scan databases to determine "the degree of an invention's innovation," which is the top criterion regarding patent examinations.

The ROK Government hopes to have its new computerized system in operation in 2-3 years. It also plans to obtain access to patent information registered in computer databases in Japan, the United States, and Europe. The Japanese Patent Office hopes that "a system will be set up under which patents obtained by Japanese firms in Europe and the United States will be appropriately protected in the ROK" (as stated by a Patent Office International Affairs Division official).

Patent applications filed with the ROK Government by Japanese applicants have totalled 5,200 (in 1993), which is approximately 14 percent of all applications filed in the ROK. Because of this large percentage, it has been decided that briefings will be held in the ROK for Japanese applicants to explain the nation's intellectual property rights system. In the past, the Japanese Patent Office and the ROK Patent Administration Office have held, among other activities, exchanges between examination officials ever since the first directors meeting in 1983 to help harmonize the two nations' patent systems.

Study Shows Consumers Penalized by Trade Barriers

OW1412050394 Tokyo KYODO in English 0419 GMT 14 Dec 94

[FBIS Transcribed Text] Washington, Dec. 14 KYODO—Japanese trade barriers inflicted a heavy cost upon Japanese consumers, ranging from 10 trillion yen to perhaps as high as 15 trillion yen, in 1989, according to a new study by three Japanese economists.

That extra cost borne by the Japanese consumers would be equivalent to between 2.6 percent and 3.8 percent of the nation's gross national product (GNP) in that year.

The study, conducted on behalf of a U.S. economic policy think tank, said the structure of Japanese protection—both in the form of tariff and nontariff barriers—most severely inflates prices for industries in which Japan is least competitive internationally.

The industries most affected, the authors said, are agriculture, raw materials, and low-tech manufactured products.

The authors—Prof. Yoko Sazanami of Keio University, Prof. Shujiro Urata of Waseda University and Research Associate Hiroki Kawai at the Japan Center for Economic Research—said inflated Japanese prices for food and beverages alone account for half of the cost of Japanese protection to consumers.

"If prices of domestic goods in these and other sectors were allowed to fall toward world levels, Japanese consumers would benefit significantly and the Japanese economy would become more efficient," the Institute for International Economics said in releasing the study, "measuring the costs of protection in Japan."

The authors said they found that the gains from trade protection went mostly to Japanese producers, and not the Japanese Government.

The Japanese Government collected only around 300 billion yen in tariff revenues in 1989, the year chosen for the study, while Japanese producers pocketed between 7.0 trillion and 9.6 trillion yen as a result of inflated domestic prices.

The net cost to Japanese society as a whole amounted to somewhere between 1.1 trillion yen and 2.4 trillion yen, the authors said.

If all the implied barriers had been removed, the authors calculated that Japanese imports of highly protected products might have increased by as much as 7.3 trillion yen.

The study argued, however, that complete liberalization of the Japanese market would not reduce Japan's trade surplus to the same extent.

Instead, the authors said, reallocation of resources within Japan and downward pressure on the yen would increase exports by nearly the same amount as the gain in imports.

AIST Said Starting Test Runs on HST Jet Engine

OW1412050594 Tokyo YOMIURI SHIMBUN in Japanese 13 Dec 94 Morning Edition p 6

[FBIS Translated Text] The Ministry of International Trade and Industry's [MITI] Agency of Industrial Science and Technology [AIST] on 12 December announced the start of test runs on an experimental engine for the hypersonic transport (HST) passenger plane which has a cruising speed of Mach 5.

Flying at Mach 5 means covering the distance from Tokyo to New York in about three hours.

The engine for the HST plane being developed by the AIST is based on a new design called the "combined cycle engine." This comprises two parts—a turbo-jet engine used for takeoff up to a speed of Mach 3, and a ram jet engine used for flying at speeds of from Mach 3 to Mach 5.

The design has been incorporated into military aircraft, but has not yet been used in the private sector.

The assessments currently being conducted involve test runs on the turbo-jet and fuel combustion tests on the ram jet engine.

Development of the AIST-sponsored HST aircraft engine is an international project combining the talents of Ishikawajima-Harima Heavy Industries Ltd., Kawasaki Heavy Industries Ltd., Mitsubishi Heavy Industries Ltd., together with United Technologies, General Electric of the United States, Rolls-Royce of Britain, and Sunecuma [as published] of France. The agency wants to complete the experimental engine by 1998.

FY95 Budget May Go Down 3 Percent From FY94*OW1412132394 Tokyo KYODO in English 1254 GMT
14 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—The Finance Ministry is considering setting Japan's general account budget for fiscal 1995 at 70.9 trillion to 71 trillion yen, down about 3 percent from the initial fiscal 1994 budget, ministry officials said Wednesday [14 December].

The budget plan for fiscal 1995 starting next April 1 will result in the first yearly decline since 1955, when the general account budget fell 0.8 percent from the previous year, the officials said.

The ostensible size of the budget, however, has swollen for the second straight year by manipulation of accounts, and after discounting such surface growth the fiscal 1995 budget is likely to post a tiny increase of some 0.3 percent on a real ability basis, they said.

Since a substantial increase in tax revenues is unlikely during fiscal 1995 with the economy recovering only slowly, it may be difficult to expand government revenues even with a big rise in nontax revenues, they said.

Under the circumstances, the ministry intends to restrict general-operating expenditures to some 41.9 trillion yen, compared with the combined 42.82 trillion yen requested in August by government agencies and ministries, they said.

The 41.9 trillion yen disbursement is up about 2.8 percent from the previous year, and the growth in general-operating expenditures—the core spending in the general account—will be limited to the 2 percent level for the second straight year, they said.

The ministry also plans to make up for an expected gap between government expenditures and revenues by postponing debt payments and other makeshifts, the officials said.

It is scheduled to submit its draft budget to each government ministry and agency next Tuesday after obtaining approval at an extraordinary cabinet meeting, they said.

Tax revenues in fiscal 1995 are estimated at about 53.7 trillion yen, reflecting a possible minor reform in tax systems for the year, compared with the initial fiscal 1994 estimate of 53,665 billion yen, they said.

The ministry plans to issue construction bonds worth slightly less than 9 trillion yen, the maximum limit under the present law, as well as 2.8 trillion yen deficit-covering bonds to finance tax cuts, they said.

As the government is expected to be short of revenues even with such bond issues, the ministry will try to secure nontax receipts of more than 4 trillion yen through advanced redemption of some 1.1 trillion yen in

loans to projects financed by profits from the sale of Nippon Telegraph and Telephone Corp. (NTT) shares, they said.

While allowing the budget for public works outlays to grow more than 4 percent to prop up the economy, the ministry will sharply restrict the growth in other expenditures without exception, including those for defense and official development assistance (ODA), they said.

It will also reduce expenses for debt servicing to about 13.3 trillion yen by partly suspending annual fixed-rate transfer from the general account to the national debt consolidation fund for redemption of government bonds issued in the past, as well as by postponing debt payments, they said.

Grants to local governments will also be cut by postponing repayments of money that the ministry borrowed as special exceptions in the past from local governments and is supposed to return in the form of additional grants, they said.

The fiscal 1994 budget amounted to 73,081.7 billion yen with general-operating expenditures ostensibly expanding some 4.5 trillion yen through advanced redemption of loans to ventures using profits from NTT stock sales, the officials said.

By similar makeshifts, the fiscal 1995 budget will seemingly increase by about 2.2 trillion yen, they said.

When excluding such makeshift measures, the fiscal 1994 budget came to 68,553.5 billion yen and the fiscal 1995 budget will total about 68.7 trillion to 68.8 trillion yen, they said.

Draft Paper on SDPJ's New Strategy Approved*OW1412051194 Tokyo KYODO in English 0408 GMT
14 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—Prime Minister Tomiichi Murayama on Wednesday [14 December] approved a draft report of his Social Democratic Party (SDP) [of Japan] urging the party to remain in power while transforming itself into a "third political axis."

Murayama, chairman of the SDPJ, gave the go-ahead to the party's draft strategy paper in a meeting with SDPJ Secretary General Wataru Kubo at the premier's official residence, a government spokesman said.

Chief Cabinet Secretary Kozo Igarashi from the SDPJ said at a news conference that whether the SDPJ calls a national convention to develop into a fresh party of "democratic" and "liberal" forces hinges on debate at Sunday's convention of local SDPJ deputies.

Igarashi, a close aide to the premier, said Murayama and Kubo did not discuss the timing of holding a national

convention. But Kubo told reporters he and the premier agreed on the need to convene a conference as soon as possible.

Party sources said the possibility has emerged for the party to hold the extraordinary convention on Jan. 18 at the earliest following the agreement between Murayama and Kubo.

Igarashi also said the premier and Kubo did not talk about when the SDPJ should develop into a new party.

Kubo, a leader of SDPJ right-wing legislators, has called for the SDPJ's early disbandment and transformation into a new democratic and liberal party, but Murayama, who belongs to the left-wing group of the party, has been circumspect about the plan.

On the draft report's denunciation of the Liberal Democratic Party (LDP), the largest contingent in the ruling union, for its adherence to old-style pork-barrel politics, Igarashi said he himself pays respect to the LDP's self-improvement efforts.

"I hope the SDPJ can deepen mutual trust with the LDP, maintain this cabinet and live up to the expectations of the people," he said.

The SDPJ's decision-making central executive committee on Thursday is expected to endorse the draft paper on the party's future course.

Editorial Observes Inauguration of NFP

OW1412111194 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Dec 94 Morning Edition p 2

[Editorial: "New Frontier Party Should First Show Its Image as an Opposition Party"]

[FBIS Translated Text] The New Frontier Party [NFP] has been created following its inaugural convention. It is the first time that a new party which includes over 200 members from both houses of the Diet has been formed since conservative forces joined together to form the Liberal Democratic Party [LDP] in 1955. It is a significant event in the history of Japanese political parties.

Despite the fact, however, the public has not given the party a warm welcome—at least not as much as the party had expected. Rather than describing the public's reaction as lacking in emotional upsurge, it seems the majority of the people are cool about the matter, merely waiting to see it in action first.

The new party fad is already a thing of the past. Whether new parties will become established in the Japanese political scene and become stable depends solely on the efforts of the NFP itself. The new party fad is strongly linked to a freshness lacking in the existing political parties. The prime factor here is the image of the party—most of all, that of its leaders. However, the NFP leadership, including party head Toshiki Kaifu, Secretary General Ichiro Ozawa, and the whole lineup of the

former ruling coalition parties' chairmen is far from being appropriately described as fresh. We cannot help but call it unattractive. Freshness is often accompanied by a sense of awe and expectations of the unknown, but the Kaifu-Ozawa lineup only gives people the impression of going back to 1989 [when Kaifu was LDP president and Ozawa the party's secretary general].

Of course, even if a new party were to gain popularity through flashy showmanship, it could often end up an abortive flower, just as in the case of the Japan New Party, which started the new party fad but got buried in the course of real-life politics and forced to dissolve in a short time span. In this sense, the NFP, which will begin its flight at a low altitude, will be evaluated on its future actions, and depending on how it will carry on, there may be a good chance for its popularity to rise. Of course, it goes without saying that there remains the constant danger of stalling when flying at a low altitude.

Lack of Message to the People

For the NFP to gain public support and become one of the political axes, it must first clarify to the people what it aims at and what kind of political party it proclaims to be. The first response that came from the NFP regarding this point was indicated in how its leaders were selected. However, it is regrettable that what can be sensed here is the party's inward-looking stance instead of a message to the people.

Above all, this is particularly evident in the fact that the process of selecting the party's leaders was based on first selecting the secretary general and then selecting the party head correspondingly and in consideration of the appropriateness of the combination. For the time being, what is of the utmost importance to the NFP are plans for its survival in the next general election, and having Ozawa as its secretary general is the start of everything for the party.

It goes without saying that general elections are of vital importance to political parties. In particular, under the new electoral system combining single-seat constituencies with proportional representation, all begin with winning in elections. In order to win in elections, it is necessary to coordinate candidates, procure election funds, and garner backing from supporting organizations. It was agreed that Ozawa was most appropriate for the role of overseeing the necessary work since he displays his uncommon shrewdness in such aspects.

The need to survive under the new electoral system combining single-seat constituencies with proportional representation acted as the prime motive behind the merger of political forces that led to the formation of the NFP. Considering the circumstances, it may have been that the party could not help but put its own affairs before minding about the people. However, the NFP's carefree, election-comes-first attitude is a far cry from the image of an open people's party that new parties have been striving for. For one thing, we would like to ask

whether there is a difference between the NFP and the LDP, which the NFP considers as a rival, if the new party should seek to introduce a system of responding to individual requests for certain government projects so as to satisfy the interests of certain groups or individuals and recruit as election machines certain organizations which only want to protect rights and privileges they already enjoy.

For the NFP to be able to compete with the current administration of Prime Minister Tomiichi Murayama as one of the political forces in a new era following the collapse of the one-party rule by the LDP from 1955, an important point is whether it can gain the upper hand in such aspects as logicity and transparency as a political organization, as well as policies. Moreover, the party must be able to make a clear explanation to the people who have voting rights. Consequently, it must always prepare counter proposals as an opposition party, ready to clearly speak out that what is right is right, and wrong is wrong.

The reason why public interest in politics that surged following the change in power later dwindled like a receding tide is that the former ruling coalition government—that is, the original form of the NFP—which wrested power from the LDP was incapable of formulating and implementing policies. On top of that, it spent much of its energy in adjusting its internal differences, causing disappointment among many people.

Meanwhile, it must not be forgotten that the LDP, which became an opposition party, lost much of its centripetal force after it stepped down from power and tumbled down into a dull entity, lacking in leadership as a political party and watchdog capability and policy-proposing ability as an opposition party, while only remaining large in size. The same applies to the former ruling coalition alliance which toppled over and became opposition parties again.

Moving on to the Era in Which Political Parties Will Be Pitting Their Wits Against Each Other

A political system based on political parties or parliamentary politics works out only if there are ruling and opposition parties. Therein lies the reason it must be said that the fact that there was no change in power for nearly 40 years is abnormal. At the same time, parliamentary politics would cease to exist, and elections, which are prerequisite to such a system, become meaningless should an opposition party only be able to come up with ambiguous policies which merely symbolize the party's slogans—just as the Social Democratic Party of Japan [SDPJ] has done traditionally—and take back its pledges as soon as it assumes power.

However, there appears to be no clear-cut differences between the policies of ruling and opposition parties nowadays. They are only trying desperately to spell out their differences. On one hand, they are trying to thwart each other in what may be termed a slanderous battle,

while, on the other hand, there seems to be countenance for a progressive trend toward political parties' all turning conservative. In consideration of how the Diet ought to be, this situation is undesirable.

However, the argument that differences in policies no longer exist simply means that there no longer exist clear-cut differences regarding such aspects as ideologies and security policies. Instead, our modern society which presupposes the coexistence of a diversity of values is entering an era in which political parties will fight for survival through explaining their differences regarding priorities in policies and procedures for implementing them—in other words, an era in which political parties will be pitting their wits against each other.

The birth of the NFP, together with the introduction of a new electoral system combining single-seat constituencies and proportional representation, will certainly help stimulate the regrouping of new political forces. However, it cannot be predicted as to whether the NFP will exist in the future in the same form as when it was inaugurated. Political realignment is in the midst of a groping stage and is still continuing. Political forces have yet to complete regrouping on the basis of policies. If the NFP wants to stake its survival, it must begin by first conveying its message to the people as an opposition party via Diet debates over policies.

Industries Making Political Donation to Politicians

Petroleum Group to LDP

OW1412120194 Tokyo KYODO in English 0828 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—The Petroleum Association of Japan will provide a 50 million yen political donation by year-end to the Liberal Democratic Party (LDP), association officials said Wednesday [14 December].

The Petroleum Industry Association donated 90 million yen to the LDP in 1993. The LDP returned to power in late June as the largest political group in the three-party coalition government after losing its 38-year monopoly on power last summer.

The association, however, will slash the fund this year in line with many companies which scaled down their donations due to the country's still weak economy.

The association has no plan to donate to other parties this year because it has no contact with them, the officials said.

Although the association appropriated 100 million yen this year for political donations, the remaining 50 million yen will be used for donations made in 1995, they said.

Political donations have come under greater scrutiny in recent years with the revelation of a series of political scandals.

Yasuoki Takeuchi, chairman of the association, said, "our association has continued providing donations for 18 years to LDP. There is no reason to quit such funds to the party."

Nippon Steel to LDP, Shinshinto

*OW1312122494 Tokyo KYODO in English 1128 GMT
13 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 13 KYODO—Nippon Steel Corp. will provide political funds by year-end to both the Liberal Democratic Party (LDP) and the newly born Shinshinto (New Frontier Party), the top Japanese steelmaker's chairman said Tuesday [13 December].

Hiroshi Saito, who is also chairman of a Steel Industry Association, the Japan Iron and Steel Federation, said the company decided on the donations because the creation of Shinshinto on Saturday will contribute to stabilizing Japan's political situation.

Nippon Steel has been leaning toward stopping donations this year because of the turmoil in ongoing political realignment, he said at a press conference.

Shinshinto, which was born out of a grand coalition of most noncommunist opposition groups, includes "a number of people who have convincing political ideas," Saito said.

Saito hinted that his firm is unlikely to make donations to New Party Sakigake, a small component of the tripartite ruling coalition with the LDP and the Social Democratic Party, pointing out that the company has received no request for money from Sakigake.

Saito added that the donations to the two biggest parties will be smaller than usual because Nippon Steel is undergoing a restructuring process.

Meanwhile, Takeshi Nagano, president of the Japan Federation of Employers Associations, a powerful business lobby, said firms should decide themselves about political donations.

Major business organizations, including the most influential Federation of Economic Organizations (Keidanren), have stopped serving as a conduit for donations by their member companies in response to public criticism following a series of scandals involving corporate contributions to political parties.

*** Bureaucrats Affected by Proportional Districts**

*952B0038A Tokyo ASAHI SHIMBUN in Japanese 30
Oct 94 p 3*

[Unattributed article: "Dwindling Unity Among Political, Official, and Business Quarters, the Sign of an Unusual Change in Proportional Representation of the Upper House Election"]

[FBIS Translated Text] Concerning the proportional representation constituency in the upper house election, it has become an established mode of practice for former bureaucrats to stand as Liberal Democratic Party [LDP] candidates through the backing of their ministries, agencies, and industries concerned. The constituency has thus been called the symbol of an "iron triangle" formed among political, bureaucratic, and business quarters. However, an unusual change is taking place with regard to proportional representation in the upper house election. With an eye toward the coming election in the summer of next year, Shinseito [Japan Renewal Party] is cutting in on the LDP's maneuvering, waging a fierce tug of war with the LDP to obtain candidates. On the other hand, ministries and agencies as well as business circles are seen at a loss as to "which we should side with" in the face of successive changes of government. Caught in such an atmosphere, only two new former bureaucrats have thus far decided to run although there were five to seven new faces from the bureaucracy in the proportional representation constituency every time the election was held in the past.

Hell-Bent on Finding Candidates

"The LDP will unfailingly put up candidates from your organization, and so please delay making decisions on your responsive measures."

The Japan Veterans Federation, an organization formed to support the Self-Defense Forces, was scheduled to decide its policy regarding the upper house election at a meeting of its executives on 12 October, but shortly before the meeting, the LDP made the above remark to the federation, calling for a "temporary halt" to its schedule.

Among former Defense Agency bureaucrats, only Hideaki Tamura, an upper house member, who moved his membership from the LDP to Shinseito, has decided to run for the election in the proportional representation constituency for the time being. Shigeto Nagano, a former bureaucrat with the same agency and a member of the upper house who has to seek reelection through proportional representation four years later, has also changed his party to Shinseito.

Such being the case, the LDP is hell-bent on finding candidates, presenting favorable conditions as seen in the following remarks by former Defense Agency Director General Taku Yamasaki and other Defense-zoku Diet members: "We will lower the hurdles in recruiting party members and also give preferential treatment in terms of the order of names on the list of candidates." However, the selection of suitable persons does not go as smoothly as the party wishes.

Shinya Izumi, an upper house member and former Ministry of Transport councilor, won his seat through proportional representation in the 1992 election when his name was listed sixth on the LDP list. After that, he moved from the LDP to Shinseito. Accordingly, the LDP

informally decided last year to put up an incumbent Ministry of Transport bureaucrat as a candidate for proportional representation in the next-year election. However, it degraded to the status of an opposition party through the change of government.

Mr. Izumi and other Shinseito lawmakers who became the members of the ruling party applied pressure on leading Ministry of Transport officials and business circles concerned, asking, "Are you really going to put up a candidate for the opposition party?" This pressure worked, and the plan to put up the bureaucrat as a candidate was taken back to the original drawing board. However, the side of Shinseito, too, has failed to put up a candidate from the ministry for the election in the summer of 1995. The two parties are thus in a situation where they are hitting each other at the same time.

With regard to the Ministry of Agriculture, Forestry, and Fisheries, some former LDP lawmakers related with the ministry's land improvement work shifted to Shinseito, but its incumbent, Ryotaro Sudo, is to stand as a candidate for the LDP. A man concerned with a land improvement organization says: "Mr. Sudo now has a tough time gathering party members and supporters in some districts where Shinseito Diet members assert their influence. Nevertheless, Shinseito does not have the power to monopolize favorable voting areas of a region."

The LDP is also working on the other ministries and agencies, which have thus far supplied bureaucrats as its candidates, to get them to put up and support new faces. Among them are the Ministry of International Trade and Industry [MITI] and Ministry of Finance. However, their reactions are not quite satisfying. Shinseito as well is in a state of doldrums, partly because of its weakness stemming from its degradation to the status of an opposition party, as one says, "it is all we can do not to let the LDP pick any candidates" (a leading member) from them.

Ministries, Agencies, as Well as Business Circles at Loss

"There is no one who would like to become an upper house Diet member. It is better to be a mayor" (a leading MITI official).

"Are there really offices that are ready to supply new faces?" (a leading Ministry of Home Affairs official).

For the time being, there are eight former and incumbent bureaucrats of central ministries and agencies who are scheduled to stand as LDP and "new-new party" candidates for proportional representation in the election next summer. This indicates a large decrease from 14 in 1989 and 15 (with former National Railways bureaucrats included) in 1992.

Many ministries and agencies, including MITI and the Ministry of Home Affairs, whose bureaucrats turned upper house members will not yet need to have their seats contested for reelection next year, are taking the

position of temporarily suspending their supply and support of new faces this time. Even the Ministry of Education, whose bureaucrats turned upper house members will have their seats at stake for reelection, is passive about giving the whole ministry support, saying that "we will only stay neutral, without siding with any party," partly influenced by the split of Education-zoku lawmakers into ruling and opposition party members.

A mood of war-weariness is afloat among ministries and agencies as indicated by the following remark: "Even if one runs in the proportional representation constituency, he or she only receives the criticism that 'that guy is a zoku Diet member'" (a midlevel Ministry of Construction official).

Such is also the case with the business circles, which have thus far bolstered the election in the proportional representation constituency in terms of both money and personnel, such as recruiting party members and collecting lists of members of supporters' associations.

An LDP candidate for proportional representation is put under obligation to gather over 20,000 new party members with party fees amounting to over 80 million yen. In past elections, the work of recruiting party members overheated, with each candidate aiming to rank higher than others on the list of candidates, and business circles concerned "took over" much of the work and party fees.

This was because a candidate automatically became a Diet member of the government party when his or her name was placed high on the LDP's list of candidates. However, from now, the party could become an opposition party any time, depending on the future course of political restructuring.

There were always two Ministry of Construction bureaucrats turned candidates in recent elections. The real estate and housing industry, which assumed the task of supporting one of the candidates in the last election, flinched this time, partly due to the slow pace of the economic recovery, saying that next summer "we will be pinched too hard to think of the election" (Real Estate Companies Association). After all, only one Ministry of Construction bureaucrat turned candidate is expected to run at this point.

"The Japan Medical Doctors Political Federation," the political arm of the Japan Medical Association, decided in June for the first time to temporarily suspend its support of "candidates within the organization" for proportional representation, using an incumbent's retirement as an opportunity to make the decision. Behind this decision was the following calculated thought: "We have the LDP's Welfare-zoku Diet members as persons whom we can petition. We need not depend on those who became Diet members through proportional representation" (a leading member of the Medical Association).

Concerning such a trend toward the "departure from the proportional representation constituency," we hear

some Diet members representing "official and business quarters" saying that "in a good sense, the proportional representation system has the merit of nurturing experts, but this is a pity..." (a Diet member formerly with the Ministry of Construction).

Invisible Debts Said Necessary for Sound Finance

OW1212104294 Tokyo KYODO in English 0951 GMT 12 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 12 KYODO—Vice Finance Minister Jiro Saito said Monday [12 December] that postponing certain debt payments is necessary for compiling a sound national budget plan.

But Saito noted at a press conference that such an "invisible debt" is the outcome of his ministry's efforts for a balanced budget.

Last Tuesday, Finance Minister Masayoshi Takemura said such matters should be reviewed and openly discussed when studying how to make up for the gap in government expenditure and revenue under severe fiscal conditions.

Saito said the ministry has to explain to Takemura and obtain his support that it is considering various measures and ideas in trying to achieve a balanced budget.

Komura Urges Wider Use of Construction Bonds

OW1312051494 Tokyo KYODO in English 0410 GMT 13 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 13 KYODO—The government should widen the scope of projects funded by construction bonds to show "the color" of Prime Minister Tomiichi Murayama's cabinet in the fiscal 1995 budget, Japan's economic planning chief said Tuesday [13 December].

Such projects should be expanded to "education, welfare and various other new social infrastructure areas" instead of "just roads and bridges," Masahiko Komura, director general of the Economic Planning Agency (EPA), told reporters after a morning cabinet meeting.

Under the current law, use of construction bonds is limited to conventional public works and areas of new infrastructure projects such as supercomputers installed as part of buildings. Komura said construction bonds are "not only for civil engineering companies."

The EPA chief said he made the comments at the cabinet meeting, noting that Transport Minister Shizuka Kamei and Construction Minister Koken Nosaka agreed with his view.

Speaking at a separate press conference after the cabinet meeting, Finance Minister Masayoshi Takemura said his ministry "has already broadened the scope and it is already too wide." With outstanding balance of national government bonds expected to top a hectic 200 trillion

yen in the current fiscal year, the Finance Ministry is pinning efforts to curtail bond issuance in the next fiscal year.

Government Issuing Bonds To Increase 'Sinking Fund'

OW1312122294 Tokyo KYODO in English 1142 GMT 13 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 13 KYODO—The Finance Ministry plans to increase the balance of its sinking fund by issuing government bonds to refund interest-free loans worth 600 billion to 1 trillion yen to the semigovernmental sector because of revenue shortfalls, ministry sources said Tuesday [13 December].

The account manipulation, which would inflate the scale of the national budget to conceal what it actually is, will follow an inflated amount of 4.5 trillion yen in the initial budget for the current fiscal year through March 1995, according to the sources.

Under the plan, the interest-free loans, which originated from proceeds from sales of government-owned shares of Nippon Telegraph and Telephone Corp., will be transferred to the national debt consolidated fund special account, an account to redeem maturing government bonds, the sources said.

In return, the ministry is to issue construction bonds to raise the same amount of collected loans, resulting in double counting in the general account, which the sources estimate will make the budget for the next fiscal year under compilation swell by a range from 1.2 trillion yen to 2 trillion yen.

Prime Minister Tomiichi Murayama's cabinet is set to compile the fiscal 1995 budget later this month with the general account worth 71 trillion yen.

Without the double counting, the scale of the national budget for the next fiscal year will mark the first decline in 40 years from the initial budget in the current fiscal year, the sources said.

The balance of the special account, managed by the ministry, has come to nearly zero as a result of a fourth straight year of suspensions next fiscal year of transfers of a certain amount of revenue to the national debt redemption account out of fear of a hindrance in redemption.

Bond System Urged in Public Works Sector

OW1412144094 Tokyo KYODO in English 1344 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—A Construction Ministry panel drafted a report Wednesday [14 December] urging adoption of a U.S.-modeled "bond" system to ensure contractors' compliance with public works project contracts and crack down on bid-rigging, ministry officials said.

The new system would allow insurance companies to issue and market bond certificates to contractors. An insurer would be obligated to compensate governments for possible losses if the winner of a project failed to complete it for reasons such as bankruptcy, the officials said.

In case of such a negative eventuality, the insurer would be given the option of choosing between paying financial compensation to the government or finding another contractor capable of completing the job.

The panel has not yet made a decision on which party should buy such a bond certificate—the winning contractor or the government that places the order.

The ministry panel, the Completion Guarantee System Research Council, led by Yoshitsugu Kanamoto, a University of Tokyo professor, will complete its report later this month for submission to the ministry, they said.

The ministry plans to introduce the bond system by the end of fiscal 1995, ending March 1996, after working out the details of the system by next March, they said.

Under the current Japanese system, the winner of a project usually asks a rival contractor to guarantee to the authorities that it will take up an uncompleted job in case of noncompliance by the original winner.

This system has been rapped for providing a "hotbed" to tempt bidders to rig bids by taking advantage of mutual consultations at which a project winner asks its rival to provide such a guarantee.

Under the system, a contractor that refuses to join bid-rigging talks could face a threat from rivals to spurn any request to secure such a guarantee, making it impossible to secure any public project mandating that its recipient present a guarantor.

On top of this system, two other options are available currently. One is for contractors to take out an insurance contract, entitling them to have the insurer pay limited compensation that would allow the government to pay for losses resulting from a project's delay. The other is to have banks provide certain financial compensation.

Of the three current options, the ministry plans to scrap the system of securing a guarantee of compliance with a contract from a rival bidder as soon as insurance companies come up with insurance contracts covering such bond certificates, the officials said.

Most Japanese local governments have adopted the system of having a contractor secure a guarantee from a rival bidder.

This is because this system has enabled governments to have projects completed by contracted dates, while enabling contractors to get projects without having to put up any vow of financial guarantee, they added.

Difficulty of Issuing New-Type Bonds Noted

OW1112090594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 9 Dec 94 Evening Edition p 2

[FBIS Translated Text] At a 9 December news conference after a cabinet meeting, Posts and Telecommunications Minister Shun Oide commented on the question of issuing new-type public bonds convertible to Nippon Telegraph and Telephone Corp. (NTT) stocks. He said: "Since the Finance Ministry is not actively discussing the issue, it is difficult to issue the bonds beginning the next fiscal year." He thus indicated that if the post ministry secures the budget to promote its project of improving communications network infrastructure, it does not care much about ways to raise funds for the project. Moreover, Oide commented on the Ministry of International Trade and Industry's survey on the gap between domestic and overseas prices announced on 29 November. Regarding the survey results that international telephone charges in Japan are more than twice those in the United States, he stated: "I suspect that the results are based on correct grounds. I would like to examine them thoroughly."

North Korea

Dialogue Urges End to Inter-Korean Strife

SK1412024094 Pyongyang Radio Pyongyang in Korean to South Korea 2245 GMT 12 Dec 94

['Dialogue' between station reporters Kim Kwang-chol and Kim Hye-kyong: "Political Strife Should Be Suspended in Order To Achieve National Unity and Reunification," from the "The Course Toward Reunification" program]

[FBIS Translated Text] [Kim Hye-kyong] How are you?

[Kim Kwang-chol] How are you?

[Kim Hye-kyong] In order to achieve the country's reunification, we should achieve national unity, and to this end, political strife between the North and the South should be brought to an end. We will talk about this problem.

[Kim Kwang-chol] In the 10-point program for the country's reunification, the great leader Comrade Kim Il-song taught that the North and the South should suspend all political strife, which aggravates division and confrontation between fellow countrymen, and unite.

As the respected and beloved leader taught, in order to reunify the country, the North and the South should not seek or aggravate confrontation, but suspend all types of political strife and stop vilifying and slandering. [chogugul tongil hajamyon, pukkwa namun taegyorul chuguhagona chojanghaji marayahago, modun hyong-taeui chongjaengul chungjihago, pibang chungsangul kumanduoya hamnida]

As you know, politics is a basic component of social life, and political strife between the North and the South will become the basic factor that blocks national reconciliation and unity and brings about confrontation in all fields, including the military, economic, and cultural fields. Therefore, suspending political strife is a prerequisite to promoting reconciliation and unity between the North and the South.

[Kim Hye-kyong] That is right. In order to achieve national unity, the North and the South should first suspend political confrontation between them, that is, such political strife as ideological strife and system strife, and stop vilifying the other's ideology, system, parties, and factions, regarding only one's own ideology, system, parties, and factions as absolute. [minjok tanhabul irukhajamyon, puk kwa namsaie chongchijok taegyol, irultemyonun inyom ssaumiradunga chedo ssaumgwagatun kuron chongjaengbuto chungjihaeya hagoyo, chagi inyomgwa chedo, tto chagiui tangpamanul cholttaesi hamyonso namui inyomgwa chedo kurigo tangparul holtunnun kuron norumul hajimaraya hamnida] In our country, socialism and capitalism have been in acute confrontation amidst the Military Demarcation Line for nearly half a century. Because the country is divided, the North and the South have long been separated and political strife has continued, and some even regard their fellow countrymen as sharing the same blood vessels as an enemy.

[Kim Kwang-chol] That is really heartbreaking to our nation, which has an important task of reunifying the divided country. The antinational force in South Korea is habitually engaged in extremely reckless war exercises and military provocations to bring fellow countrymen in the North under its control, increasing ideological and system strife. This is arousing unbearable indignation in the nation.

[Kim Hye-kyong] That's right. The dangerous situation in which a war may break out at any time was created on the Korean peninsula by such criminal maneuvers perpetrated by the antinational forces in South Korea. As long as our nation remains in a state of antagonism and confrontation of fighting against each other, it will result in allowing [word indistinct] reactionaries to benefit from our trouble and the entrusting of our nation to big powers as a scapegoat [pandongdurege obujirilul chugo uriminjogul taguktului huisaengmullo makkinun kyolgwarul kajooe toelgossimnida].

[Kim Kwang-chol] You are right.

[Kim Hye-kyong] So, in order not to waste national strength, we should not fight against each other under any circumstance.

[Kim Kwang-chol] I agree. If we, fellow countrymen, continue to advance along the road of confrontation, it is precisely the outside forces of aggression who will be pleased.

[Kim Hye-kyong] That's right.

[Kim Kwang-chol] We should discard the past perception of confrontation at the earliest possible date, renounce all sorts of political strife which provoke the other side and create mistrust, and should stop maligning and slandering [sangdaebangul chagukhago pulsulul chojanghanun ilche chongjaengul kumandugo pibang chungsangul chungji haeyahamnida].

In accordance with the respected and beloved leader's lifetime will, our nation should not regard each other with hostility and should jointly cope with the aggression and interference of outside forces with the united strength of the nation.

While our nation was divided into the North and the South by outside forces, our nation is comprised of the same compatriots sharing the same blood. Although their ideology and ideals differ, they are brothers destined to live on the same land, the Korean peninsula [sasanggwa inyomi katchiantahaedo hanganto chosonbandoeso hamke saranagayahal hyongjedul imnida].

[Kim Hye-kyong] That's right. Our compatriots both in the North and the South have been victim to the splittist policy of outside forces, experiencing the suffering and misfortune of division. The division of our nation, a single nation, into the North and the South and the confrontation against one another are because of the outside forces' policy of aggression and interference and because of the base, flunkeyist, treacherous, and pro-U.S. (?policy) of the antinational forces of South Korea which follow the outside forces [oeseu chimyakkwa kansop chongchaek ttaemunigo kue chujonghanun namchoson panminjok seryoktulul piyorhan sadae maeguk chinmin (?chongchaek) ttaemunin kossimnida].

The Kim Yong-sam ring [iltang] not only has regarded brothers of the North with hostility, but has also suppressed South Korean people of all strata who want to contact and have dialogue with their brothers in the North for national unity and reunification, branding them as (?pro-North Korean people).

[Kim Kwang-chol] That's right. It is not only the last-ditch efforts of traitor Kim Yong-sam who faces a crisis, but also his fool-like act. The realities in South Korea show that if the traitor Kim Yong-sam, an antinational and antireunification element, is left to his own devices, it will be impossible for the North and the South to achieve reconciliation and unity.

[Kim Hye-kyong] You are correct.

[Kim Kwang-chol] Great national unity is the road toward reunification. Only national unity can [words indistinct], end the almost half-a-century long history of national division, protect the national interests, and achieve the nation's peace and prosperity.

[Kim Hye-kyong] Achieving national reunification through unity of the whole nation is precisely the unanimous will and desire of the 70 million fellow countrymen. Indeed, the 10-point program for great national

unity proclaimed by the respected and beloved leader Comrade Kim Il-song is a brilliant guiding light that enables the nation to expedite national reunification in the nineties through peaceful means, without fraternal struggle.

[Kim Kwang-chol] That's right.

[Kim Hye-kyong] Thank you. (endall)

SPA 'Appeal' About 'Concrete Wall' Viewed

SK1412044894 Pyongyang KCNA in English 0437 GMT 14 Dec 94

["Will For Reunification Manifested"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—The Standing Committee of the Supreme People's Assembly (SPA) of the Democratic People's Republic of Korea issued an appeal to the parliaments and politicians of all countries of the world on December 12 on the lapse of 15 years since the former military dictators of South Korea completed the concrete wall in the area south of the Military Demarcation Line (MDL) on December 29, expressing the expectation that the world public will lift up louder voices demanding the removal of the concrete wall.

NODONG SINMUN in a commentary today says the appeal reflects the consistent stand and will of the Workers' Party of Korea and the DPRK Government to put a period to the total severance of relations and confrontation between North and South and make the cause of national reunification a nation-wide cause both nominally and virtually and thus open a dramatic phase for national reunification.

The analyst notes:

The concrete wall built in the area south of the MDL is a wall of division which cuts across the country at its waist. It is a symbol of national split and a token of the anachronistic anti-communist confrontational policy, a physical checkbar that denies the homogeneity of the nation and blocks reunification and political and military confidence building.

Everyone knows that the present South Korean authorities hailed the demolition of the Berlin Wall in Europe.

Kim Yong-sam never let a chance pass by without calling for "dialogue" and "reunification" and stated that he welcomed the removal of the wall of division in an alien country. If he means what he says, he should show this by a practical action of abandoning the anachronistic anti-communist confrontation and closed-door policy and pulling down the concrete wall, an obstacle to opening and reunification.

The concrete wall is incompatible with dialogue and reunification.

Kim Yong-sam's 'Antihuman Crime' Criticized

SK1412140294 Pyongyang Korean Central Broadcasting Network in Korean 0629 GMT 14 Dec 94

[Unattributed talk: "Unforgivable, Antinational, Antihuman Crime by the Traitor Kim Yong-sam"]

[FBIS Translated Text] Since he took office, the puppet traitor Kim Yong-sam, after calling himself a civilian, has imposed a more vicious and traitorous rule than the military dictators. The most grave of all his crimes is the antinational, antihuman crime he committed when his fellow countrymen had an accident.

The great leader Comrade Kim Il-song, the sun of the nation and the benevolent father, passed away unexpectedly. This was the saddest event in thousands of years of our nation's history. Nevertheless, the puppet traitor Kim Yong-sam, far from observing the courtesy of condolence, issued emergency orders and viciously inspired a sense of enmity against his fellow countrymen. Upon hearing the sad news, the traitor Kim Yong-sam issued emergency orders, including special alert orders, to the puppet Armed Forces and police, asking them to fully prepare against any change in the North. He also wielded the notorious National Security Law, and mercilessly suppressed the South Korean people for expressing condolences.

As the entire world knows, the traitor Kim Yong-sam arrested and detained officials of the National Alliance for the Country's Reunification who were on their way to the North to express condolences; searched their offices; broke memorial altars in various places at random; conducted all-out checks and searches; and bestially suppressed young people, students, and people from all walks of life for expressing deep condolences, describing it as an anti-establishment act under the National Security Law. On 21 July alone, the traitor Kim Yong-sam and his cohorts mobilized puppet soldiers and policemen to conduct all-out checks and searches across South Korea, arresting or detaining approximately 33,000. This has already been disclosed. All these were despicable brutal acts that made even wild beasts blush.

The respected and beloved leader Comrade Kim Il-song is the great leader whom our nation upheld for the first time in its 5,000-year history; a benevolent father; a peerless great man commonly recognized by the international community; and an elder in world politics.

Expressing one's condolence on the altar of the great father of the nation, and the peerless great man who devoted himself to the country and the nation throughout his life, is a basic courtesy and obligation to the people of the same nation. However, the puppet traitor Kim Yong-sam ignored the beautiful custom which was handed down from his ancestors, and set fire to a house in mourning. Nothing is a greater challenge to the nation and mankind than this.

The inhumane act by the puppet traitor Kim Yong-sam goes against common sense in view of the fact that the

bastard [nom] was a dialogue partner. The South Korean chief executive was a partner in North-South top-level talks. The respected and beloved leader decided to hold North-South top-level talks. This was a very generous favor to Kim Yong-sam, who got into a serious crisis during his rule because he habitually committed traitorous acts. The traitor Kim Yong-sam should have courteously expressed his condolence on the altar of the respected and beloved leader in that Kim Il-song was not only a dialogue partner but a savior who rescued him.

The traitor Kim Yong-sam openly changed his attitudes, pointedly refused to express his condolences and send condolence teams, and wielded guns and bayonets against fellow countrymen who were overwhelmed by sorrow. This is a rash act against common sense by an immoral scoundrel [paeryun paedok han]. Truly, the traitor Kim Yong-sam committed a grave crime he should not have committed as a fellow countryman and dialogue partner, a crime he will never be able to clear himself of. This was an act against courtesy, a declaration of virtual all-out confrontation and war against his fellow countrymen, and a very grave crime that cannot be forgiven by anyone.

The traitor Kim Yong-sam committed such an antinational, antihuman crime, and thus brought North-South relations—which had been moving toward reconciliation, unity, detente, and peaceful reunification before the scheduled North-South top-level talks—to their worse phase.

What cannot be overlooked is the fact that the traitor Kim Yong-sam, while talking about cooperation or reconciliation, talks as if he were interested in improving relations. A fellow who was hostile to his fellow countrymen, pursued only confrontation and war, and unhesitatingly committed rash acts against basic morality is now talking about cooperation or something else. This is shameless talk by a scoundrel [muroehan].

No one will be lured into the traitor Kim Yong-sam's deceptive propaganda of cooperation, which he hastily conducted to escape from a dead end. If the traitor Kim Yong-sam thinks he can cover up his antinational, antihuman crime with empty words, this will be a foolish and stupid act.

All fellow countrymen think no one must keep company with [sangjong] the puppet traitor Kim Yong-sam, who does not know of the country or the nation, and who even ignored the beautiful custom which was handed down from his ancestors. The South Korean people and all fellow countrymen, who consider very shameful the fact that such a traitor and immoral scoundrel [paeryun paedok han] as Kim Yong-sam is in power, will settle accounts with all the crimes he committed during his reign in office, as well as the inhuman crime which filled the hearts of fellow countrymen with lasting regret.

Kim Yong-sam Puppet Clique's 'Plot' Denounced

*SK1412050994 Pyongyang KCNA in English 0432
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—Pyongyang youths and students met today to denounce the Kim Yong-sam puppet clique's anti-North plot.

"The brother and sister spy case" is a despicable drama which the puppet Agency for National Security Planning (ANSP) staged by charging Kim Sam-sok who was member of the policy committee of the coalition of the anti-nuke peace movement of South Korea and his younger sister, Kim Un-chu, with "spying for the North", seeking to foster North-South confrontation and stifle the pro-reunification democratic forces of South Korea.

The background of this plot was fully exposed by the declaration of conscience made public in Berlin on October 31 by Paek Hung-yong who had served the "ANSP" as its agent.

Speaking at the meeting, chairman of the North side headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) Ho Chang-jo and representatives of young people of various social strata bitterly condemned the fabrication of the "spy case", branding it as a heinous anti-national act and a mean intelligence plot aimed at impairing the dignity of the North and brutally suppressing the pro-reunification patriotic forces of South Korea and as the last-ditch effort to save the ruling crisis which is getting all the more serious.

The speakers said the traitor Kim Yong-sam, who is harshly suppressing the pro-reunification democratic forces of South Korea, while pursuing North-South confrontation, is doomed to destruction. They stressed that the puppets must frankly admit the falsity of "the brother and sister spy case" and all other cases they faked up, apologize to the nation, abolish "the National Security Law" (NSL), dissolve the "ANSP" and step down from power at once.

They called on the South Korean youths and students to rise up in a struggle for overthrowing the Kim Yong-sam fascist regime, having the "NSL" scrapped and destroying the "ANSP", the general headquarters of plots and fascism.

The speakers declared that all the youths and students in the North will remain loyal and devoted to respected General Kim Chong-il, the destiny of the country and [words indistinct] of the nation, and achieve the independent and peaceful reunification of the country without fail.

PRC's Pomminnyon Urges Abolition of NSL

*SK1412101794 Pyongyang KCNA in English 1010
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—The headquarters of Koreans in China of the

National Alliance for the Country's Reunification (Pom-minnyon) released a statement on December 5 demanding that the South Korean authorities scrap "the National Security Law" (NSL) and unconditionally and immediately release pro-reunification patriots.

Recalling that the Kim Yong-sam group arrested and indicted Yi Chang-pok, permanent chairman of the National Alliance for Democracy and Reunification (Chongukyonhap), on the charge of the violation of the "NSL" and demanded a prison term for him, the statement said the fascist outrage is an anti-national, anti-reunification act aimed at suppressing all the South Korean patriotic forces desirous of national unity and the independent and peaceful reunification of the country and another vicious challenge to the entire fellow countrymen.

It further said:

"The Kim Yong-sam traitorous clique, who are pursuing only North-South confrontation and suppressing the pro-reunification patriotic forces at the point of the bayonet at a time when countries which were hostile to the Democratic People's Republic of Korea are seeking the improvement of relations with it, can no longer be expected to be a dialogue partner. They are only the target of overthrow."

The statement demanded that the Kim Yong-sam group scrap the "NSL" and unconditionally and immediately release all the patriotic champions of reunification under the arrest.

Pro-North, South Koreans in Japan Stage Festival

*SK1412051594 Pyongyang KCNA in English 0450
GMT 14 Dec 94*

[FBIS Transcribed Text] Tokyo, December 12 (KNS-KCNA)—[dateline as received] "Dance of Reunification," a national dance festival of Koreans in Japan, took place in Tokyo on December 10.

The performance was seen by So Man-sul, vice-chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), Pak Chong-sang, director of the Cultural Department of the Chongnyon Central Standing Committee, and other Koreans and Japanese, more than 1,700 in all.

It was given jointly by Korean dancers under Chongnyon and the South Korean Residents Association in Japan (Mindan).

The thirteen numbers put on the stage included a group dance depicting the bitter experience of "comfort women for the army" and a solo dance representing the desire for reunification.

The performance was acclaimed by the audience for successfully depicting the desire of the 70 million Koreans for reunification, irrespective of the difference

in ideology, idea, political view and religious belief, in graceful and emotional national dances.

Repatriation of ROK Prisoners Demanded in Japan

*SK1412101394 Pyongyang KCNA in English 1006
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Koreans in Japan met in Tokyo on December 9 to urge the repatriation of old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners in South Korea, to the Democratic People's Republic of Korea, the Tokyo-based Korean News Service reported.

In his report Choe Il-su, chairman of the Society for the Repatriation of old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners in South Korea, charged that the South Korean authorities refuse to meet the demand of the home and foreign public for their repatriation under unreasonable pretexts and strongly demanded that they be immediately sent back to the North where their families are waiting for them.

Speeches were made by representatives of various social strata and Japanese figures including Hiroshi Wakabayashi, secretary general of the Japan Committee for Supporting the Independent and Peaceful Reunification of Korea. Then, an open letter to the South Korean Red Cross was read.

Meanwhile, Pak Ku-ho, chairman of the Central Standing Committee of the League of Korean Youth in Japan, released a statement on December 12. He said that, in view of the Korean armistice agreement, international law and the spirit of humanitarianism, the repatriation of the three old men, who are POWs, to the North where their families are waiting for them is the obligation and absolute responsibility which the South Korean authorities can never evade with any pretext.

The South Korean authorities must scrap "the National Security Law," an anti-democratic, anti-reunification law, and immediately release all the unconverted long-term prisoners kept behind bars on unreasonable charges, he urged.

Group for Rescuing Prisoners Issues 'Information'

*SK1412043794 Pyongyang KCNA in English 0420
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—The Korean Measure Committee for rescuing unconverted long-term prisoners in South Korea published an information on December 13.

Enumerating materials on the brisk movement for the repatriation of old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners in South Korea, to the northern half of the country, the information says:

Old Kim In-so, Ham Se-hwan and Kim Yong-tae are fighting for their repatriation, not bending their will to go to the North where their families live.

In a letter to his son, Kim Yong-tae expressed his wish to return to his dear hometown at an early date and spend the remainder of his life with his flesh and blood, saying: "I am demanding repatriation and promoting our return to the hometowns together with Comrades Kim In-so and Ham Se-hwan who are of People's Army origin like me."

Kim In-so in a letter to his daughter expressed his ardent yearning for her. "I long for the family and hometown so earnestly. Even a gold bullion would not please me here. I am behaving and living with a wholehearted desire to go back to the hometown," he said.

Ham Se-hwan in a letter to his sister said he was living with fortitude in the teeth of all hardships for the day when he would be embraced in the bosom of the Democratic People's Republic of Korea, thinking of the hometown, awake or asleep.

The three old men again made an official request recently to the International Committee of the Red Cross and the South Korean Red Cross for their active support to their repatriation.

Their families and relatives are vigorously waging the movement for their early repatriation to the northern half of the country.

The information notes that the movement for their repatriation is being waged forcefully in various forms by public organizations and central and local units of the northern half of Korea and progressive political parties, organizations and broad public circles of many countries of the world.

The South Korean authorities, however, are scheming to turn the issue into a political problem, far from returning them to the North, the information says, and stresses: The South Korean authorities must send old Kim In-so, Ham Se-hwan and Kim Yong-tae back to the northern half of the country, immediately stopping all their inhumane acts of laying obstacles to their repatriation.

ROK Daily Cited on 'ANSP' Fabrication

*SK1412041494 Pyongyang KCNA in English 0404
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—The memorial society for the martyr Yi Nae-chang issued a statement denouncing the fabrication of cases by the "Agency for National Security Planning" [ANSP], according to CHUNGANG HERALD published by Chungang University in South Korea.

Pointing out that Paek Hung-yong's declaration of conscience in Berlin on October 31 that opened to the public the truth behind the "brother and sister spy case" gave way a big shock, the statement said the declaration

proved once again that the death of the student Yi Nae-chang in August 1989, who was chairman of the General Student Council of the Ansong Branch of Chungang University, was a murder by the "ANSP".

The statement said the students would do their utmost to probe into the truth behind Yi's death and to put the "ANSP" steeped in anti-historical acts in the dock of judgement by history.

Denmark Bulletin on Accord With U.S. Published

*SK1412041194 Pyongyang KCNA in English 0401
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—The Denmark-DPRK Friendship Association published bulletin No. 4.

The bulletin printed a portrait of the dear leader Comrade Kim Chong-il and carried the full text of the U.S. President's letter of assurances addressed to him.

Under the headline "Historic agreement adopted between the DPRK and U.S." the bulletin said that with the adoption of the DPRK-U.S. framework agreement, an end was put to the crisis and confrontation that had become acute between the two countries over post-war 40 years and a new way for the peace and security of the Korean peninsula has opened.

Under the title "Postponed inter-Korean top-level talks", it pointed out that the North-South top-level talks arranged for the first time at the instance of the great President Kim Il-song could not be held owing to the anti-popular, anti-national, anti-reunification and inhumanitarian behaviour of the traitor Kim Yong-sam of South Korea.

The bulletin also carried a picture showing President Kim Il-song in external activity and introduced many countries' support to the independent policy of the Democratic People's Republic of Korea.

PRC Military Delegates Visit Foreign Minister

*SK1412043994 Pyongyang KCNA in English 0422
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—Vice-Premier and Foreign Minister Kim Yong-nam today met and had a friendly talk with the delegation of the Chinese People's Volunteers headed by Maj. Gen. Zheng Daogen which had been to the now defunct Military Armistice Commission, when the latter paid a farewell call on him.

Song Ho-kyong, vice-minister of Foreign Affairs, Lieut. Gen. Yi Chan-pok, chief of the Panmunjom Mission of the Korean People's Army, Qiao Zonghuai, Chinese ambassador to Korea, and his embassy officials were present.

Academy of Sciences Delegates Return From PRC

*SK1412133394 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 11 Dec 94*

[FBIS Translated Text] On 11 December, a DPRK Academy of Sciences delegation, led by its president Kim Kil-yon, returned home by train from its visit to the PRC. Kang Tong-kun, vice president of the Academy of Sciences, received the delegation at Pyongyang Station.

Government Hosts Party for CPV Delegation

*SK1412052594 Pyongyang KCNA in English 0457
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—The Government of the Democratic People's Republic of Korea Tuesday hosted a party for the delegation of the Chinese People's Volunteers [CPV] withdrawing from the now defunct Military Armistice Commission.

Invited to the party were the members of the CPV delegation headed by Maj. Gen. Zheng Daogen, Chinese Ambassador to Korea Qiao ZongRuai and his embassy officials.

Vice-premier and Foreign Minister Kim Yong-nam, Vice Foreign Minister Song Ho-kyong, Chief of the Panmunjom mission of the Korean People's Army Lieut. Gen. Yi Chan-pok and other officials concerned were present.

Speeches were exchanged at the party.

Chuche Institute, PRC Women's Delegates Visit

*SK1412044094 Pyongyang KCNA in English 0423
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—Kenichi Ogami, secretary general of the International Institute of the Chuche Idea, and his entourage and a delegation of the All-China Women's Federation headed by its vice-president and first secretary of the secretariat Huang Qizao arrived in Pyongyang today.

Hwang Chang-yop Meets IICI Secretary General

*SK1412103494 Pyongyang KCNA in English 1011
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, today met and had a friendly talk with Kenichi Ogami, secretary general of the International Institute of the Chuche Idea [IICI], and his entourage.

Present there was Kim Tuk-su, vice-president of the Chuche Idea Academy.

Kim Chong-il Sends Wreath to Bier of Novichenko

*SK1412103694 Pyongyang KCNA in English 1016
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Comrade Kim Chong-il, the great leader of

our party and people, sent a wreath to the bier of Y.T. Novichenko, an internationalist soldier, expressing deep condolences on his death.

An official of the DPRK embassy in Moscow laid the wreath before the bier of Novichenko on December 10.

KPA Armed Forces Delegation Returns From Cuba

*SK1412133594 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 11 Dec 94*

[FBIS Translated Text] On 11 December, a delegation of the Armed Forces of the Korean People's Army [KPA], led by KPA General Cho Myong-nok, returned home by plane from its visit to Cuba.

Working Cultural Agreement Signed With Syria

*SK1412102394 Pyongyang KCNA in English 1013
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—A working plan for the implementation of the cultural agreement for 1995, 1996 and 1997 between the Governments of the Democratic People's Republic of Korea and the Syrian Arab Republic was signed in Pyongyang on December 14.

It was signed by Chon Yon-ok, vice-chairperson of the Korean Committee for Cultural Relations With Foreign Countries, and Yasir al-Farah, Syrian ambassador to Korea.

Kim Ki-nam Meets Visiting Mongolian Delegation

*SK1412051994 Pyongyang KCNA in English 0455
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Kim Ki-nam, secretary of the Central Committee of the Workers' Party of Korea, met and had a friendly conversation with the visiting delegation of the Union of Mongolian Journalists headed by its President TS. Tserendorzh at the Mansudae Assembly Hall on December 13.

TS. Tserendorzh said that while in Korea, they saw at first hand the achievements of the Korean people in socialist construction and that they could be made under the wise guidance of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il.

Foreign Minister Greets New Mexican Counterpart

*SK1412045694 Pyongyang KCNA in English 0447
GMT 14 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Foreign Minister Kim Yong-nam sent a message of greetings to Jose Angel Gurria Trevino upon his appointment as foreign minister of Mexico.

Expressing the belief that the friendly relations between the two countries will further develop in the interests of the two peoples, the message wished him success at his new post.

Kim Chong-il Gives Thanks to Officials, Students
SK1412051694 Pyongyang KCNA in English 0453
GMT 14 Dec 94

[FBIS Transcribed Text] Pyongyang, December 14 (KCNA)—Comrade Kim Chong-il, the great leader of our party and people and supreme commander of the Korean People's Army [KPA], extended thanks to officials and working people of different units and school youths and children for their examples in assisting the KPA. Among them are Kim Tae-won, chief secretary of the Onchon County Party Committee, South Pyongan Province, officials of the North Hamgyong Provincial Party Committee, working people in Sinhung County, South Hamgyong Province, officials of the South Hamgyong Provincial Committee of the League of Socialist Working Youth and school youths and children in the province.

They loved the KPA like their own flesh and blood and rendered material and moral assistance to it, cherishing deep in their minds the glory in having Comrade Kim Chong-il as the supreme commander of the Revolutionary Armed Forces.

Article Notes Cultivation of Local Trade Bases
SK1412074894 Pyongyang MINJU CHOSON in Korean 13 Nov 94 p 2

[On-the-spot report by Chon Kyong-pong from the North Pyongan Provincial Trade Management Bureau: "Firmly Cultivating Local Trade Bases"]

[FBIS Translated Text] Upholding our party's trade-first policy, the North Pyongan Provincial Trade Management Bureau has attained considerable success in cultivating local trade bases. The office actively carried out its work with a high revolution-mindedness and driving force, with the objective being to increase the production of export goods three-fold this first year of the period of adjustment based on its specific understanding of local export resources.

According to data compiled by the province, the province has newly cultivated 23 export goods production bases and boosted the production of export goods 2.8 times this year, increasing the kinds of export goods by as many as 35 items compared with the same period last year.

The great leader Comrade Kim Il-song taught: We should firmly cultivate the production bases of export goods in various sectors of the people's economy, should increase the production of export goods, and should improve their quality.

Under the guidance of party organizations, the Trade Management Bureau augmented the existing local trade bases, thereby enhancing their capacity. At the same time, the bureau made great efforts to cultivate new production bases of export goods.

Bureau Chief Comrade Pak Chong-nam and other bureau functionaries went down to the local trade bases cultivated in the Unsan, Taegwan, and Tongnim Districts; he vigorously pushed ahead with the work to expand their capacity. The functionaries who went down to these spots assisted the workers' struggle, explaining to them the importance of cultivating and expanding the capacity of the local trade bases in implementing the party's trade-first policy.

As a result, the capacity expansion project was vigorously conducted in these districts, completing the project two months ahead of schedule.

At the same time, bureau functionaries commanded the battle on the spot and solved pending problems in a timely manner, effectively assisting Sinuiju and Yongchon County to rapidly cultivate local trade bases. In this way, bureau functionaries helped firmly cultivate the local trade bases capable of producing quality export goods of various kinds that were suitable for the specific environment of the district.

The Trade Management Bureau also pushed ahead with the work to increase the fishery production by the scientific use of the advantageous natural economic conditions adjacent to the sea. Bureau functionaries, including chief technician Comrade An Sang-il, went to the seashore in Yomju and Cholsan Counties beginning early this year and directly organized and commanded the work of building a 20-chongbo fish farm.

It was far from easy to cultivate a 20-chongbo fish farm in two months, but they actively pushed ahead with the project with revolution-mindedness. Completing the project ahead of schedule, they succeeded in putting many young fish in the fish farm.

Meanwhile, bureau functionaries swiftly pushed ahead with the work of building 17 new fishing boats in all counties bordering the coastline, making it possible for them to put the boats afloat within the target date.

The Trade Management Bureau also effectively utilized the existing production bases, thus actively conducting processing trade [kagong muyok].

In the latest month alone, they increased the processing trade output by four times.

More on Chong Chun-sil Movement
'Frontrankers'

SK1412043894 Pyongyang KCNA in English 0413
GMT 14 Dec 94

[FBIS Transcribed Text] Pyongyang, December 13 (KCNA)—A meeting of frontrankers in the Chong Chun-sil movement was held recently in Pyongyang.

The participants in the meeting reviewed with pride the achievements they had made in the movement by devotedly and faithfully serving the people under the slogan "We serve the people!" set by the Workers' Party of Korea. And they vowed to constantly improve the people's living standard by invigorating the movement.

The movement began in Korea three years ago.

Chong Chun-sil is the director of the Chonchon County Commercial Management Office, Chagang Province.

The great leader President Kim Il-song visited a small store in a remote mountain village about 30 years ago. He paid a close attention to Chong Chun-sil, a young salesgirl who was faithfully serving people by making "our family book" and reared her to be a true servant of the people and twice labor heroine.

She, in an effort to repay the deep loving care of the fatherly leader President Kim Il-song, did a lot of things in commercial services for the improvement of the people's living standard in her county.

When the president gave on-the-spot guidance to Chagang Province in September 1991, he had a picture taken with her and arranged a birthday table for her, very pleased to hear that she had done an enormous work as a true servant of the people.

The dear leader Comrade Kim Chong-il initiated the Chong Chun-sil movement and has guided all the officials and service workers of the country to actively follow the example set by Chong Chun-sil whom the great leader highly praised.

With the movement gaining momentum, many officials have become true servants of the people.

The officials of the Usi County People's Committee, Chagang Province, built more than ten local industrial factories including a foodstuff factory and a textile mill, and many dwelling houses in two or three years by pooling efforts with the county people to turn the county into a place good to live in.

The people of the remote mountainous county far away from the railways are now living happily like urban dwellers.

Pak Ki-sang, director of the Hoechang County Commercial Management Office, South Pyongan Province, and commercial workers under it created a raw material cultivating base covering far more than 100 hectares in three years and have produced large quantities of grain and meat every year to greatly contribute to the living of the county people.

The officials of the Kwangchon foodstuff factory and the Kwangchon plastic daily necessities factory of disabled soldiers, Tanchon city, South Hamgyong Province, the Tokchon general foodstuff factory, South Pyongan Province, the Hwangju County housewives' cooperative, North Hwanghae Province, and many other factories

have made a great contribution to improving the people's living standard by manufacturing and updating equipment to meet ever growing material demand of the people and actively exploring and using local raw and other material resources.

The spirit of faithfully serving the people fully displayed by officials is the true appearance of our-style socialism centred on the popular masses and the source of the singlehearted unity of the leader, the party and the masses.

Official Discusses Preparations for 1996 Olympics *OW1412093094 Tokyo KYODO in English 0808 GMT 14 Dec 94*

[FBIS Transcribed Text] Atlanta, Dec. 14 KYODO—North Korea will start its preparation for the 1996 Atlanta Olympic Games by resuming its participation in international sports meets in the coming year, the secretary general of the North Korean Olympic Committee said Tuesday [13 December].

"We will send our athletes to international contests in the next year because there will be many qualifying meets for the Olympics," Chang Ung said.

Chang, who is in Atlanta to attend the Association of National Olympic Committees' General Meeting, said, "we have not decided yet how many athletes we will send to each international meet, but we may resume such activities in March."

Chang hinted North Korea will take part in the World Table tennis Championships slated for May in Tianjin, China.

Due to an international tension caused by its suspected development of nuclear weapons, North Korea sat out recent international sports contests, such as the Universiade Games in Buffalo, New York, and the Hiroshima Asian Games in Japan.

In addition, North Korea gave up the hosting of the Second East Asian Games, which were originally to be held in Pyongyang next year.

Asked if the nation's sports community was suffering from financial problems, Chang said, "since the whole nation mourned upon the death of Kim Il-song, sports activities had to be curtailed this year."

"But we are receiving economical aid from the government and are never in trouble financially" he said.

Touching on a South Korean idea to co-host the 2002 World Cup Soccer Finals with North Korea, Chang said, "we heard about it a long time ago. Since then, we have received no contact from South Korea."

"I am not sure whether or not South Korea intends to realize the idea. It sounds like mere gossip to me," he said.

With aims to promote peace on the Korean peninsula, (South) Korean Football Association President Chung Mong-chun has said Seoul would like to co-host the 2002 World Cup with North Korea if the south's bid to host the event is successful.

Chung, a South Korean legislator, also serves as a vice president of FIFA, the world's football governing body.

South Korea and Japan are considered as co-favorites in the race to host the first world cup in the 21st century.

Chang said North Korea has no intention to ask Seoul to co-host the finals.

"It is up to Chung as to whether the idea will be developed or not," he added.

South Korea

PRC Said Following Procedures To Leave DPRK

SK1412064694 Seoul YONHAP in English 0638 GMT
14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—Chinese representatives whose departure from the Korean armistice commission was announced last September are expected to complete their withdrawal soon after recently following protocol procedures to leave North Korea.

The (North) Korean Central News Agency (KCNA) monitored here Tuesday reported that Kim Yong-nam, North Korean vice premier and foreign minister, received the Chinese delegation to exchange friendly words.

The KCNA said that "the Chinese representatives made a farewell call on Kim."

Before the visit, the Central People's Committee disclosed Monday that it had conferred medals on Chinese military personnel. Four senior Chinese military officers were decorated with the first- and second-grade "Kukki" medals while others received "Chinson" (goodwill) medals.

The medal presentation was attended by Vice President Yi Chong-ok, Vice Foreign Minister Song Ho-kyong and other senior North Korean officials. Chinese Ambassador to Pyongyang Qiao Zonghuai and other officials at the Chinese Embassy also were present at the ceremony.

The Chinese Foreign Ministry announced it was withdrawing its representatives from the Korean armistice commission on Sept. 1 while North Korean Vice Foreign Minister Song Ho-kyong was visiting Beijing.

Ministry Official Departs for KEDO Talks

SK1412070694 Seoul YONHAP in English 0654 GMT
14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—South Korean Assistant Foreign Minister Choe Tong-chin left for San Francisco Wednesday evening for a

trilateral conference with Japan and the United States on the North Korean nuclear reactor project.

U.S. Ambassador-at-Large Robert Gallucci and Japanese Ambassador Tetsuya Endo are due at the conference Thursday and Friday that combines bilateral and trilateral talks.

The three countries are the main players in the Korea Energy Development Organization (KEDO) that will supply light-water nuclear reactors to North Korea and alternative energy during the reactor transition period in exchange for a freeze on Pyongyang's suspicious nuclear program.

Each will be bringing its own set of proposals on the KEDO charter, the organization's membership and operation. This is the second meeting of its kind.

KEDO is expected to convene its first full-dress meeting sometime in January.

Meanwhile, the Japanese delegate was switched this time from the Foreign Ministry's top policy coordinator, Shunji Yanai, to Endo who is in charge of diplomatic normalization negotiations with North Korea.

Endo is an expert in science and technology.

NUB Minister Stresses Education in Unification

SK1412040394 Seoul SEOUL SINMUN in Korean 14
Dec 94 p 2

[FBIS Translated Text] On 13 December, Yi Hong-ku, deputy prime minister and minister of national unification, predicted: "Under the transitional circumstances following Kim Il-song's death, North Korea has concentrated its efforts on improving its relations with the United States, thus straining South-North relations. North Korea, however, is urgently faced with problems to overcome its economic difficulties and break away from its international isolation. In order to do this, it will be inevitable for North Korea to open up and carry out reforms in a limited way."

He made these comments in his opening address to "the Seminar on Ways To Enliven Education on National Unification" held at Sejong Cultural Center Main Hall. He stated: "Because the circumstances in the surrounding area of the Korean peninsula are also rapidly changing together with those of North Korea, it may be possible for us to see an earlier realization of national unification than we anticipated."

He continued that the government is working out a comprehensive countermeasure aimed at carrying out education on national unification on a pan-national scale. He emphasized: "In the future, we will need to supplement school textbooks and reinforce education on national unification at colleges and universities. We should also quickly map out countermeasures to enliven education on national unification, including training

relevant experts, developing various kinds of educational materials, and increasing support to social educational institutions."

Christians Polled on Paying Taxes for Unification
SK1312105294 Seoul YONHAP in English 1028 GMT 13 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—An absolute majority of South Korean Christians are willing to bear much more taxes and other personal burdens in favor of national unification.

This was revealed in a poll taken by the Korea Christian Social Affairs Institute in the past two months toward 13 major Protestant denominations and 1,148 Christians across the country in observance of its 15th anniversary falling on Thursday [15 December].

Of the pollees, 90 percent said they are willing to shoulder personal burdens and pay twice as much taxes as now in the next 10 years to help raise "unification funds."

As for the time of unification, about half of the respondents said they believe unification could come in the next 5 to ten years.

Asked to describe the form of unification they favor, 46 percent gave unification under a single system, 25 percent unification under two systems, and 24 percent unification under capitalism.

Regarding the ideology of a unified nation, 42.9 percent favored nationalism as agreed on between the South and the North and 43.4 percent liberal democracy.

Of the total pollees, 44 percent said they support improved relations between the United States and North Korea while 21 percent said they are opposed to it.

On the issue of supporting the cost of light-water reactors for North Korea, 42 percent of the respondents said South Korea should bear part of the cost only on the condition that Korean-style reactors are adopted.

Thirty other percent said South Korea should shoulder the burden unconditionally while 10 percent said the reactor cost should go to the United States and Japan.

Trade Offices in DPRK in 1994 'Impossible'
SK1312114994 Seoul MUNHWA ILBO in Korean 13 Dec 94 p 8

[By Yi Chang-che]

[FBIS Translated Text] Amid uncertainties about whether visits to North Korea by ROK businessmen could take place this year, on 13 December an official of the Korean Trade Promotion Corporation [KTPC] stated that the establishment of branch offices or trade

pavilions by ROK firms in North Korea would be virtually impossible without Kim Chong-il's ascension to the presidency.

The official added: "The recent turbulence over North-South economic cooperation stems from the disorderliness of the North's channel for inter-Korean economic cooperation rather than from our government's lukewarm attitude." The official predicted: "Inter-Korea economic cooperation will not be smooth until Kim Chong-il ascends to the presidency."

The official then pointed out: "In light of the current North Korean situation, Kim Chong-il's ascension to the presidency is unlikely even next year. Therefore, our government and ROK businesses should be more prudent in establishing trade pavilions or branch offices in North Korea, which has been vigorously promoted."

With the 8 November announcement of measures to vitalize North-South economic cooperation, the government has allowed the establishment of branch offices in North Korea by ROK businesses, as well as the dispatch of businessmen and technicians who will be in charge of processing-on-commission trade with North Korea.

Company Imports More Sand From North Korea
SK1312010294 Seoul YONHAP in English 0003 GMT 13 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—The second 10,000-ton batch of sand from North Korea arrives in South Korea Wednesday [14 December], following the first shipment which was brought in on Dec. 1.

Sopyong Construction Co. of Tonghae City, Kangwon Province, said Tuesday that the second load of 10,000 tons of sand will arrive at Tonghae port Wednesday from Chongjin, North Hamgyong Province, under a contract concluded with Yanbian Shipping Corp. of China.

As was the case with the first shipment, the entire second batch will be delivered to ready-made cement makers in Tonghae City.

The North Korean sand will be transported by a 10,000-ton class Chinese freighter, which is scheduled to depart Chongjin port Tuesday, according to the firm.

Sopyong Construction, meanwhile, is promoting a North Korea visit by its officials for the purpose of developing northern stones and exporting them to other countries including Japan.

*** Roundtable Discussion on N-S Summit Issue**
942C0196B Seoul WOLGAN CHOSON in Korean Aug 94 pp 192-197

[FBIS Translated Text] The death of Kim Il-song announced over radio broadcast at noon last July 9 was an unexpected situation. Kim engaged in more vigorous activities during the one month period prior to his death

than at any other time. He demonstrated that he was in excellent health as he played a 'diplomatic game' with former US President Carter, who visited North Korea from June 15 to 18. He stopped a UN Security Council sanction, and increased the number of interviews with foreign guests, an activity which he had been restraining for the last several years. Carter even predicted that 'President Kim Il-song would be in good health for at least ten more years.' About the time Kim passed away, both South and North Korea were busy preparing for the South-North summit meeting to be held in Pyongyang in approximately two weeks and were excited about it. However, Kim died and his son succeeded in his place. North Korea's moves in dealing with Kim's death were quick and swift. They were so swift that we could almost suspect they must have rehearsed it. Nevertheless, what is more important is the possibility of changes in situations surrounding the Korean peninsula resulting from Kim Il-song's death. Our government especially, which has to deal with the 'North Korea of post-Kim Il-song' must realize the necessity to change the numerous strategies toward North Korea which were established with Kim's presence in mind. The monthly CHOSON held a spontaneous roundtable discussion of reporters who have personally covered the diplomatic and security fields on this issue on the evening of July 12. Present at this talk were reporter Kim Chang-ki (acting deputy chief of the political department of the CHOSON daily), who covers the CHONGWADAE (presidential Blue House), reporter An Hui-chang (North Korean department), who covers the Ministry of Reunification, and reporter Pak Tu-sik (political department), who covers the Ministry of Foreign Affairs. Let us begin with the issue of the South-North summit meeting which was the matter of urgent interest until the moment that Kim Il-song's death came to be known. First of all, what will happen to the South-North summit meeting after the death of Kim Il-song, who was the counterpart of President Kim Young-sam? There are foreign reports that North Korea hopes to continue the South-North summit meeting and our government also announced its position that the principles of the agreement for the summit meeting were still effective.

Preconditions for the Summit Meeting

It is not easy at this time to make a hasty conclusion as to whether or not the South-North summit meeting will be held soon. Anyway, it seems that our government is accepting Kim Chong-il's power succession as an established fact. Of course, we cannot readily conclude how long this will last, but that is the present situation since the death of Kim. However, with regard to the fact that Kim Chong-il will grasp the power, it seems that many people, including our people, wonder whether Kim Chong-il has the qualifications to be a leader. There is skepticism as to whether or not Kim Chong-il, who took the power through the most premodern way of hereditary succession from father to son, considering the image of Kim Chong-il we know, can really be a worthy

counterpart of President Kim. On the other hand, it is true that we have sort of a feeling of relief that 'now North Korea also ...'

I agree. It is the opinion of the people that it would be difficult for the government, which is in the position that it should consider such sentiment of the people, to promote a summit meeting exactly the same as the one which had been scheduled 'for July 25 in Pyongyang.' In addition, there also is the realistic problem that it is not easy to readily agree to a summit meeting with Kim Chong-il in a situation which is uncertain as to how long the Kim Chong-il regime will last. The announcement of the government that 'the principles of the agreement for South-North summit meeting were still effective' did not mean that it would meet immediately but was more a restatement of the general principle that a South-North summit meeting was necessary in order to discuss all the pending issues between the South and the North. President Kim personally observed that the new military regime grasped power through the May 17 incident seven months after President Pak Chung-hui died in 1979. Therefore, it is still too early to agree to a South-North summit meeting with the North Korean leader who is still in the process of an unstable power transfer. After all, the problem is how to approach the Kim Chong-il regime. It seems that our government has to recognize Kim Chong-il as the leader of North Korea for now no matter what it thinks of him as an individual. Since China has decided to immediately recognize the Kim Chong-il regime and approaches of such countries as the United States and Japan toward North Korea are stronger than ever, we can say that the possibility is greater now.

You seem to be saying that it is difficult to conclude now whether it is possible or not possible.

If the hypothesis that it is possible is to be realized, the Kim Chong-il regime must be stabilized very soon first of all, and must maintain strong approaches for dialogue, stronger than the approaches shown by Kim Il-song immediately before his death. As was mentioned earlier, at this time the approaches should be for the North Korean president or at least the person holding the power rather than Kim Chong-il as an individual. It should be a place where President Kim will present his solutions and plans which he had planned to present when he sat with Kim Il-song. If our government wants to remain passive on the South-North summit meeting, it could present numerous issues of principles to the North Korean side and attempt to test the North Korean strategies toward the South and abroad. For instance, raise the issue of the separated families on Chusok (Korean Thanksgiving Day) this fall or propose 'agreement on the nuclear issue first and then the summit meeting' by holding a meeting of the South-North Nuclear Control Joint Committee for settlement of the North Korean nuclear issue first. Also, since the principal counterpart of the South-North summit meeting has been changed, we could propose to have exchanges of special envoys once more.

Internal Affairs Are Urgent Business to North Korea

These issues are directly related to the basic strategies dealing with North Korea after the death of Kim Il-song. North Korea is now in a more vulnerable situation than ever before. Of course, the level of danger is high because the physical power, such as nearly one million armed forces members, still exists, but it is in an inferior position since the Kim Il-song solitary system has collapsed. We should establish a basic strategy regarding whether to adopt a policy of embracing them by leading them toward reform and opening up through dialogue or a policy of applying pressure with approaches of principles such as the separated families and nuclear issues. In accordance with which policy should we act?

Another matter we should deal with is whether North Korea strongly feels the necessity of a South-North summit meeting. From the standpoint of North Korea, it could conclude that holding a summit meeting with China, which is its only supporting force, is rather more urgent. Also, Kim Chong-il himself is in an urgent situation as he must stabilize the internal affairs by solidifying the foundation of power. Therefore, we should make sure whether he would be eager to have a summit meeting with President Kim. However, we should see that North Korea will maintain its current policy of dialogue such as US-North Korea nuclear talks for awhile. It is because they must minimize the possibility of outside threats for stabilized power succession. Accordingly, the realistic prospect is that for a considerable while, although there may be South-North talks, the situation is unlikely of a South-North summit meeting being dramatically agreed on, as it was back in June, when rapid progress was being made. Also, how long such a dialogue atmosphere continue depends on the results of the US-North Korea nuclear talks, which have been temporarily suspended.

What is happening on the nuclear issue, which will be the most important yardstick in forecasting the Kim Chong-il regime's foreign policies?

August, the Deadline for Disposal of Nuclear Rods, Is Turning Point

Both the United States and North Korea confirm three-stage, high-level talks and have agreed to meet after July 17, when Kim Il-song's funeral will be over. The meeting will be resumed around the end of July in Geneva. The US-North Korea talks were held on July 8 but were suspended temporarily the next day because of Kim Il-song's death. To summarize North Korean demands which were made during the first day of the meeting at that time, they were: support for light water reactors; elimination of threats, including nuclear threats, to North Korea; and agreement on the US-North Korea relations along with the agreement on the nuclear issue as a package settlement. What is important is not these demands themselves, but that North Korean approaches have become considerably flexible, and it seems that the United States is considerably encouraged. However, if

we look back, numerous issues such as special inspection of the two unreported nuclear facilities in Yongbyon, which should be resolved at the US-North Korea talks, still remain unsettled. Therefore, the situation is that we cannot necessarily be optimistic about the settlement. - Another important matter is the issue of the fuel rods of the nuclear reactor in Yongbyon which North Korea persistently replaced back in June. Normally, when fuel rods are removed from a nuclear reactor, they are stored away in temporary storage for two to three months as a cooling period, because the protective layer for preventing radiation spread is damaged. When this cooling period is over, they are processed for permanent preservation and the methods are diverse, including reprocessing to begin with and burying them. So we can say that the deadline for processing the North Korean fuel rods is sometime in August. According to U.S. Secretary of Defense William Perry, these fuel rods contain enough reprocessed plutonium for manufacturing four to five nuclear weapons. We can say that an act like US President Clinton's personally 'expressing condolence for Kim Il-song's death' is a diplomatic gesture conscious of this very deadline for the processing. The thing is that we cannot let an individual like Kim Chong-il, whose character is totally unknown, hold in his hands a dangerous substance like nuclear weapons. August in this sense will be the turning point and how we will pass this critical point will depend on the three-stage talks to be resumed in late July.

So Kim Chong-il's nuclear policy will be the litmus paper for forecasting North Korea's future course, as well as North Korea's relations with the United States.

Yes, Kim Chong-il's nuclear policy will dictate future South-North relations as well as US-North Korea relations. There are two different opinions. One is that because Kim Chong-il is a reckless character who made the decision to withdraw from the Nuclear Nonproliferation Treaty last March and thus cannot be trusted, the possibility of the nuclear issue settlement is less likely, and the other is the opinion that the foreign policy executed when Kim Il-song was alive will be continued because Kim Chong-il personally directed most of the major foreign policies even during Kim Il-song days. Even when the Kim Il-song policies are continued, it will depend on which policy line will be continued. Whether the dialogue approach shown for twenty some days immediately before Kim died or the brinkmanship shown before that. At this point, it is not clear which was Kim Il-song's true intentions. One obvious fact is that the United States will do everything to please North Korea even to a disgusting level in order to maintain the mood of dialogue which developed during the last days of Kim Il-song.

The Intelligence Agency Which Lost Face

All these situations derived from lack of information concerning Kim Chong-il, such as who he is and what sort of character he is.

I agree. I think US Vice President Al Gore's statement 'We don't have much information on him' in his interview on July 11 and Assistant Secretary of State Winston Lord's statement 'We have to reserve our evaluation of Kim Chong-il' were true confessions for such a situation. The fact that our government was completely in the darkness for 34 hours about Kim Il-song's death explains the isolation of North Korea and our lack of information as a result of it.

I agree. The highest government authority in an unofficial briefing said 'Honestly we did not know.' Even after the North Korean broadcast at 10 o'clock in the morning of July 9 that there would be a special announcement at 12 o'clock noon, they made every efforts to find out the contents but all in vain. It was only after it had already been announced over the broadcast that it was finally reported to President Kim, the chief executive of the country.

At first there were different opinions regarding the cause of Kim Il-song's death (such as an assassination or a rebellion like the Kungjong-dong incident), but it seems that all opinions now lean toward a natural death. However, it is difficult to draw a conclusion. It is still hard to exclude other possibilities. Nevertheless, one very clear fact is that even among the core of the highest ranking authorities of North Korea, the death of Kim Il-song was secretly discussed among a very limited few. The government sources even disclosed that no conversations whatsoever indicating such were heard from the heart of Pyongyang. Therefore, it is clear that Kim Il-song's death took place very quietly, apart from the controversies of whether or not it was a natural death.

The government has said at every opportunity: 'We are watching North Korea 24 hours, citizens, so please feel at ease.' However, due to this happening, it lost face.

In that respect, I believe the United States was in a similar situation. Some people suspect that the United States knew but did not let us know. However, there is no reason to think that and it was not so. It is also said that some believe that we knew it but pretended not to know in order to avoid disclosing our intelligence capability. However, in view of the expressions of President Kim, who appeared at his jogging site on the morning of July 9 and the various activities during the morning of that day, such possibilities are minimal. There is a rumor that China was notified. There is an observation that China knew the fact of Kim's death and discussed necessary measures. According to a diplomatic rumor, Premier Li Peng, who was visiting Germany, requested changes in an agreed schedule and asked that his request for change be kept in secret.

I guess we can say that this was an incident which once again revealed the secrecy of North Korea. One thing we must mention at this time is the reaction of the intelligence authorities which were so flustered. Being excessively conscious of the fact that they failed to detect Kim's death, they overreacted, publicizing their alert

system under which they are working at night, and distributing press data, in the name of a high-ranking official, which said that North Korea on July 10 had called members and candidate members of the Central Committee of the Labor Party and representatives of the Supreme People's Council to be assembled in Pyongyang by July 11. However, the contents of the data including the number of the Central Committee members, etc. were known around 1980 and thus Cause criticism.

Dialogue-Centered North Korea Policy Anticipated

Consequently, all these proceedings make us realize how vulnerable our intelligence on North Korea and the Communist block is. As every newspaper and broadcast is doing feature stories on the post-Kim Il-song death situation, North Korean experts make their presentations everywhere. However, there are different opinions as to how accurate the information they provide is. For instance, the announcement of Kim Il-song's death was made 34 hours after he died and that was considered to be quick, but when the lid was lifted it was late. These exposed our limits.

Let us discuss future prospects.

First of all, the issue of how long the Kim Chong-il regime will last will be the focal point. At this time, we cannot readily tell whether it will last a long time or a short time. I believe we should focus our eyes on the moves of the North Korean military and bureaucratic organizations.

What is as important as the movements of North Korea are the movements of the surrounding countries. Though the appeasement gestures of the United States may be a part of an overall strategy, the confessions by high-ranking U.S. Government officials that 'We have no power to influence North Korea's changes', tell us many things. Although the situation may not be exactly the same as that of the late 19th century, it looks as if the fight to expand the power of influence among the power countries surrounding the Korean peninsula will be intensified more than ever, a situation seemingly triggered by Kim Il-song's death.

The possibility is great that our government's North Korea strategies will be for moderate dialogue-centered policies for awhile. The situation makes it impossible for us to just sit idle, because while high-ranking officials of our diplomatic and national security teams are composed of former scholars in uniform, movements of the countries surrounding us are unusual.

U.S. 'Expert' on DPRK Discusses Kim Chong-il
SK1412114294 Seoul YONHAP in English 1130 GMT
14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—
An American expert on North Korean affairs predicted

here Wednesday [14 December] that contrary to speculations in the west, the Kim Chong-il system would succeed in North Korea.

"The Kim Chong-il system would be more proper for North Korea in the 21st century than the Kim Il-song system," Prof. So Tae-sok of Hawaii University said.

Speaking at a policy seminar hosted by the Hanbaek Politico-Economics Institute Headed by Rep. Cho Sun-sung of the Democratic Party, So observed Kim Chong-il would rise to full power either on his next birthday, Feb. 16, or Kim Il-song's, April 15.

On the assertions that Kim Chong-il is being challenged by his political foes so seriously as to make it impossible for him to take over his father's posts, Prof. So said he believes the allegation is little founded.

He reasoned that Kim Chong-il has been well groomed since 1972 as his father's heir and, besides, there exist no collective forces opposed to Kim Chong-il in the North.

"Kim Chong-il is a more proper man than Kim Il-song for North Korea in the 21st century because he is younger, has field experiences in party affairs, and is better educated," the Korea-born professor said.

So claimed that theories of Kim Chong-il's poor health, loose behaviors and being film-maniac stem from a prejudiced view of him.

So then said there needs a more objective and fair perception of North Korea, citing that North Korea has been quite orderly after the death of Kim Il-song.

With respect to the power structure of North Korea, So observed that the "anti-Japan guerrilla generation" in their late 70s and early 80s would step down from field political scenes as "elders" instead of being purged and the real power would be exercised by the Kim Chong-il generation.

"In the initial stage, Kim Chong-il may hold both posts of party general-secretary and state presidency," he said. "Later, however, he would probably yield the state presidency to some one else while keeping the reins of the party and armed forces as party general-secretary and Military Commission chairman."

Turning to inter-Korean relations, Prof. So said that so far as North Korea is concerned, improving of relations with South Korea is not so exigent.

"What they feel urgent is to improve relations with the West, G-7 more correctly, as well as to stabilize the power and perk up their sagging economy," he said.

So said the present North Korean policy toward South Korea is to keep the South at a distance as much as possible.

A perusal look at the commentaries appearing in the NODONG SINMUN, daily organ of the Workers' (Communist) Party, indicates that the incumbent Seoul

government is incurring a higher degree of the North's mudslinging than any other past administrations of the South, he said.

Besides, he said, the projects of dispersed families, economic exchanges, unification fund and development of tourism resources which South Korea seeks to promote are the type North Korea does not want.

For improved inter-Korean relations, he said, the two sides should promote policies of a kind that is mutually needed and that does not give any humiliation to the other side.

"My frank opinion is that Korean unification remains as remote as ever since unification will be possible only when the two sides become equal in terms of economy," the professor said.

U.S. Politicians' Trips to DPRK Criticized

SK1412031994 Seoul CHOSON ILBO in Korean 14
Dec 94 p 2

[From the "Reporter's Memo" column by political reporter Hong Sok-chun: "A Suddenly Changed [tolbyonhan] Murkowski"]

[FBIS Translated Text] Coming and going to and from South and North Korea through Panmunjom is really an attractive opportunity for foreign politicians. The fact that one has been to both Seoul and Pyongyang will become a topic of conversation. If one has the opportunity to make the most of North Korea's nuclear issue, he will be spotlighted by the media of the world. Such an opportunity is not available to everybody. So far, only U.S. politicians have enjoyed such a privilege—U.S. Representative Gary Ackerman, former U.S. President Jimmy Carter, and Senators Frank Murkowski and Paul Simon from the U.S. Senate Foreign Relations Committee.

Our government does not go out of its way to dissuade U.S. politicians to visit Pyongyang at the invitation of North Korea. As we have been prevented from visiting, this provides us with a vicarious experience. This notwithstanding, their visits both to the South and North always leave an unpleasant aftertaste.

The latest visit to the North by Senator Murkowski has attracted our attention because the U.S. Republican Party has designated him as the next chairman of the U.S. Senate Subcommittee on East Asian and Pacific Affairs. It had been anticipated that he, who is known as a standard bearer of the Republican Party's hard-liners against the North, will urge—in a clear tone of voice—North Korea to sincerely implement the agreement when he meets Kim Chong-il. He has stated: "The U.S.-North agreement virtually means that the United States has given away the store to North Korea. I am opposed to the idea of supplying North Korea with heavy oil."

Therefore, some people even worried that he might try to have the Geneva agreement annulled.

In contrast, after coming to Seoul through Panmunjom, Murkowski suddenly changed. On 12 December he conveyed his impressions of Pyongyang to Foreign Minister Han Sung-chu: "It is a clean city without any traffic."

In addition, in a news conference, he proudly "confessed" that his view of the North has been changed. He said: "If we supply North Korea with energy sources and foreign exchange, this will be conducive to the reduction of tension." Senator Simon, a democrat who was accompanying him, chimed in with his remarks: "The Republican Party's hard-line policy is a U.S. domestic political matter, thus there will be no change in U.S. foreign relations."

We do not know why the U.S. politicians, who have been to Pyongyang, changed their view of North Korea. We only guess that their visits to the South and North are not based on the standpoint of trying to improve South-North relations. Upon arriving in Seoul, Murkowski and his party attached importance to the "historic nature" of their visit to the North as being "the first visit by a U.S. military airplane to North Korea since the armistice was signed." This reminded us of the scene in which, upon arriving at the South side of Panmunjom, Gary Ackerman enthusiastically posed for souvenir photographs, straightening his shoulders as he boasted of being "the first foreigner who ever crossed [from North to South] through Panmunjom." It has been reported that some U.S. politicians are planning to visit the North next week. We wonder what kind of "historic nature" these people will emphasize after visiting Pyongyang.

Peace Foundation Head Meets With U.S. Senator

SK1312045094 Seoul YONHAP in English 0411 GMT 13 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—Kim Tae-chung, chairman of the Peace Foundation for the Asia-Pacific Region, said Tuesday the United States should formulate a coherent policy toward North Korea so Pyongyang will not make the mistake of believing it can alienate Seoul from Washington.

Kim met with U.S. Senator Paul Simon (D.-Illinois), who just visited North Korea and arrived in Seoul Monday, and told him that Washington should inform Pyongyang that their relations will develop smoothly only if inter-Korean ties register progress.

Only if that is the case, he added, will all three relationships—inter-Korean, North Korean-U.S. and South Korean-U.S.—develop satisfactorily.

Simon said he was unable to see North Korea's de facto Leader Kim Chong-il although he had requested a meeting.

However, he did consult with senior North Korean officials including Foreign Minister Kim Yong-nam to

discuss implementation of the Oct. 21 agreed framework signed in Geneva on the North's nuclear program, he said.

Senators Simon and Frank Murkowski (R.-Alaska) flew into Pyongyang Sunday and crossed through the truce village of Panmunjom Monday on their way to Seoul. They are the first U.S. congressmen to visit North Korea since President Kim Il-song died in July.

Ministry Rebuts USTR's Poultry Market Probe

SK1412063994 Seoul YONHAP in English 0631 GMT 14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—South Korea will make an official rebuttal to a U.S. Trade Representative (USTR) decision last month to investigate Seoul's poultry import practices, the Foreign Ministry said Wednesday.

The rebuttal, contained in a government commentary running over 50 pages, will be delivered to the USTR via the South Korean Embassy in Washington, officials said.

The commentary basically registers regret at Washington's unilateral decision when a new trade order is about to be born through the World Trade Organization (WTO), they said.

It will cite a number of mistaken points in the petition filed by American poultry groups while affirming Seoul's willingness to change regulations that are scientifically unfounded or go against international practices.

The USTR, spurred by a petition by domestic poultry export groups, has begun a probe into South Korea's beef import practices, a process that will take 12 months before it decides whether to initiate retaliatory action.

Three U.S. groups—the National Poultry Production Council, the American Meat Institute and the National Cattlemen's Association—refiled a petition Nov. 18 asking for 301 Trade Law steps against South Korea, complaining about its expiration-date and packaging restrictions on beef imports from the United States.

The first petition, filed on Sept. 30, was withdrawn on Nov. 14 but was revived four days later.

The USTR hears statements from the petitioners for 30 days and is expected to request negotiations with South Korean officials.

A decision on retaliatory action will be made within 12 months after the investigation begins, beating the 18-month guideline under the General Agreement on Tariffs and Trade (GATT) system.

Ministry on Local Laws, USFK's Korean Labor

SK1412085094 Seoul YONHAP in English 0831 GMT 14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—Domestic labor laws should take precedence over provisions of the Status of Forces Agreement (SOFA) in

handling the personnel affairs of Koreans working for the United States Forces in Korea (USFK), the Ministry of Labor said Wednesday [14 December].

"SOFA provisions on labor management stipulate, in principle, that employment conditions for Korean workers for the USFK be controlled by provisions of the Labor Standard Law of the Republic of Korea," a ministry spokesman said.

The ministry will soon notify the Ministry of Foreign Affairs and the USFK of its decision to apply local labor laws to Koreans working for the USFK, according to the spokesman.

The USFK has maintained that decisions by a joint committee of the SOFA override local laws, reportedly causing Korean workers for the USFK to suffer from "unfair" labor terms and conditions.

The ministry, accordingly, decided to take administrative steps to redress cases in violation of the Labor Standard Law to restore the labor rights of locals working for the USFK, said the spokesman.

Article 97, Clause 2 of the Labor Standard Law stipulates that the ministry can impose up to 5 million won in fines on those who fail to satisfy its orders to rectify labor terms and conditions.

The USFK has refused to comply with a Supreme Court decision last May that Amkor A&E, one of the USFK's civilian service firms, must pay its 24 Korean employees monthly and holiday allowances, demanding that the Korean Government state its position on the issue.

The ministry's interpretation of the SOFA provisions on labor affairs will likely help improve the legal status as well as labor terms and conditions of the 15,000 Koreans working for the USFK.

Protocol on Nuclear Safety Signed With PRC

SK1312023294 Seoul YONHAP in English 0214 GMT 13 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—South Korea and China signed a protocol on cooperation in nuclear safety Tuesday, the Science and Technology Ministry said.

The protocol was initialed by Han Yong-song, Vice Science and Technology Minister, and Huang Qitao, Vice chairman of the State Science and Technology Commission and director-general of the China National Nuclear Safety Administration.

The two nations, which concluded an agreement on cooperating in peaceful uses of nuclear energy at the end of last October, now have a solid foundation for bilateral coaction in the atomic energy field, a ministry official said.

The protocol calls for bilateral cooperation in monitoring radioactive rays and protecting people from them,

as well as establishment of an emergency system in which one country should notify the other of nuclear accidents as soon as they happen.

Under the protocol, the two nations will jointly cope with any nuclear accidents, and exchange experts and information on nuclear safety and regulation. Seoul and Beijing will also hold seminars and carry out joint research in the nuclear energy field.

China is actively pushing ahead with construction of nuclear power plants and South Korea, which already operates nine such plants, is building seven more.

District Indicts Chinese for Illegal Fishing

SK1412065594 Seoul YONHAP in English 0634 GMT 14 Dec 94

[FBIS Transcribed Text] Cheju Island, South Korea, Dec. 14 (YONHAP)—The Cheju District Prosecution indicted Chinese fisherman Yuan Guohang, 39, who was arrested while fishing illegally in South Korean waters, on charges of violating the Territorial Waters Law Wednesday.

Prosecutors said that Yuan, captain of the 40-ton trawler Lurongyu 1529, along with his 10-man crew intruded into South Korean waters six miles south of Chuja Island, North Cheju County, between noon and 4 p.m. on Nov. 27, catching saury pikes and hair-tails.

Earlier, the prosecution charged the captain of the 70-ton Lurongyu 1211, 38-year-old Lian Yean, who was also arrested on charges of illegal fishing in the country's waters on Nov. 6, with violating the Territorial Waters Law.

Israeli Envoy Issues 'Message' on Rabin Visit

SK1412014394 Seoul THE KOREA HERALD SUPPLEMENT in English 14 Dec 94 p 1

['Message' from Asher Na'im, ambassador of Israel to Korea, on the occasion of Israeli Prime Minister Yitzhaq Rabin's state visit to Korea from 14 to 17 December]

[FBIS Transcribed Text] Korea and Israel have had diplomatic relations for more than 30 years. Both countries have a long history and have struggled against enemies from without but succeeded to preserve their culture and language and in 1948 Israel regained its independence.

Trade between Israel and Korea has been greatly influenced in the past by political difficulties and by geographical distance that caused the business communities in both countries to concentrate their efforts elsewhere.

The fall of the Soviet Union, the Gulf war and the peace process between Israel and its Arab neighbors and the Palestinians have created fertile condition for mutual multifaceted cooperation between Israel and Korea.

Israel is well-known and enjoys sympathy among Koreans, both because of its struggle and achievement and as a country of the Bible and the Holy Land. To Korean businessmen, Israel represents a country full of opportunities for trade, technology transfers and joint ventures.

Lately intensive relations developed between Korea and Israel. After a 15-year absence, Israel opened its embassy officially in Seoul in November 1992 and Korea opened for the first time its embassy in Israel in December 1993.

Friendship association were established in both countries. The Korea-Israel Chamber of Commerce was launched. Yearly consultative forums headed by Foreign Ministry officials were held. In these forums, agreements were reached on a wide range of cooperation—i.e. on aviation, science, culture and economy.

Korean "chaebol" visited Israel—Hyundai, Samsung, Daewoo, Lucky-Goldstar, Hantae, Ssangyong, etc. Korean cars are on the Israel roads and Korean electronic products are selling in Israel shops.

The Korean and Israel economies are complementary in many ways, each possessing opportunities for the other. Korea has reached a highly advanced level of industrial development and mass production of consumer goods. Israel has concentrated on manufacturing high-tech products with high added value and on development of products based on scientific creativity and technological innovation.

Stronger connections between Israel high-tech and Korean advanced industrial can lead to beneficial results both for Korea and Israel in the fields of medical equipment, electronics, agrotechnology, telecommunications, fine chemicals, computer hardware and software, and diamond cutting and polishing.

The highest growth rates were achieved in these high-tech areas. Traditional industrial branches also developed such as food processing, textile, fashion, furniture, fertilizers, pesticides, pharmaceutical chemicals, rubber, plastics and metals. In 1993 Israel's total exports were \$20.6 billion which is 31.7 percent of the total GDP.

Bigger Increase

The total trade between Israel and Korea has almost tripled since 1990 and has reached \$275 million. Trade in 1993 jumped by 50 percent compared to previous years. The January-September 1994 period showed an even bigger increase of 120 percent imports from Korea (\$220 million) and increase of 12 percent in Israel exports (\$150 million). We believe that this shows a trend that reveals the potential for trade and economic cooperation in the future between Israel and Korea.

Agriculture has dramatically changed in the last decade and has become a high-tech industry. Israel has succeeded in its efforts to be a world leader in the agriculture and agroindustry sectors by developing a large and

sophisticated research and development network that is situated next to rural settlements and is designed to find fast and effective solutions to problems that arise.

Israeli innovation and training in fields such as irrigation, greenhouse technology, automation, fertilization technology, milking system, vegetable and fruit production can help, in my opinion, in the great task of diversifying and increasing the Korean agricultural production.

Korean-Israeli cooperation in agriculture can bring great benefits to Korea's agricultural development, enhance Korea's agricultural high-tech and make the Korean farmers efficient at home and competitive in the world market.

The Korean minister of science and technology headed a high-level delegation reciprocating the visit of Israel's Minister of Oceans, Technology and Culture Shulamit Aloni [title as received] in November 1994. Technological agreements were signed, opening the way for cooperation in the field of research, exchange of scientists and joint biotechnology seminars. Similarly, an understanding was reached with Ministry of Technology for Israel and Korean companies to participate in telecommunication and information superhighway in each other's countries.

In the course of Prime Minister Yitzhaq Rabin's visit to Seoul, Korea and Israel will sign an aviation agreement as well as a cultural agreement.

The aviation agreement will provide direct air link between Seoul and Tel Aviv, and will offer lower fares between the two countries. In 1993 10,000 Koreans visited Israel. In 1994 15,000 visitors are expected, and direct air links will increase the number significantly. The cultural agreement will pave the way for young people and artists to visit and enable the exchange of cultural events.

The possibilities of cooperation between our two countries in scientific R&D are almost unlimited. Israel can offer Korea its high-level R&D facilities and educated manpower which will help Korea in the great task of continuing its industrial growth and of moving its technological base close to the G-7 level.

Israeli Prime Minister Rabin Arrives 14 Dec

*SK1412120394 Seoul YONHAP in English 1158 GMT
14 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—Israeli Prime Minister Yitzhaq Rabin arrived in Seoul Wednesday [14 December] on a four-day visit as the Jewish nation's first head of government to come to South Korea.

He meets South Korean President Kim Yong-sam Thursday morning for talks on bilateral relations, economic cooperation and political developments in their respective regions.

They will cap their summit with a joint press conference and witness the signing of aviation, visa waiver and cultural cooperation agreements.

He has been invited to a luncheon hosted by four business organizations Thursday, after which he heads for the National Assembly to meet the house speaker and both ruling and opposition leaders.

Rabin, concurrently Israel's defense minister, meets his South Korean counterpart Yi Pyong-tae on Friday to discuss defense industrial cooperation and tour the truce village of Panmunjom.

He will receive an honorary doctorate from Seoul National University on Friday and leave on Saturday.

'Unique Features' of Rabin's Visit Highlighted

SK1412032994 Seoul YONHAP in English 0249 GMT 14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—Israeli Prime Minister Yitzhak Rabin's visit to Seoul this week entails a few unique features such as his departure time, entourage and meeting with the defense minister.

Rabin, the first Israeli head of government to visit Seoul since diplomatic normalization in 1962, is bringing along an 81-member delegation including 16 government officials, 19 business leaders, six military delegates who are actually defense industry businessmen and 25 reporters.

—The Israeli prime minister is concurrently defense minister, which is why Rabin will personally be meeting with his South Korean counterpart Yi Pyong-tae on Friday.

Most of the six military delegates are actually businessmen representing companies that have already established a presence in South Korea—Elbit Computers, Rafael Armament Development Authority, Israel aircraft industries, electro-optics industries and electro-optics industries.

—The business delegation comprises some big names from Israel. Dan Propper, president of the Federation of Israeli Economic Organizations, is included with Dan Gillerman, chairman of the Federation of Israeli Chambers of Commerce.

Some of the delegates have deep ties with South Korean companies:

—Itzhak Segav represents Hyundai Heavy Industries and Haitai in Israel while Arnon Tiberg is executive vice chairman of Korean Motors Israel.

—The most unique feature of Rabin's visit is his departure time, set for 6:45 p.m. [0945 GMT] after sunset.

In accordance with the Jewish Sabbath, the prime minister arranged his schedule to avoid riding in any vehicles from sunset Friday to sunset Saturday.

He managed to squeeze in a ceremony at Seoul National University, which will confer an honorary doctorate on him late Friday afternoon. The ceremony ends at 4:30 p.m. and after that, the prime minister is virtually immobile.

Executives from Lucky-Goldstar, Daewoo and Hyundai will all visit Rabin at his lodging place, the Shilla Hotel, Saturday morning, and the prime minister will spend the afternoon on hotel premises before taking off after sunset.

Japanese Agents Account for Most of Trade Deficit

SK1312064194 Seoul YONHAP in English 0618 GMT 13 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—About 45 percent of South Korea's total trade deficit has been run up with Japanese General Trading Companies (GTCs) active here and their share is expected to surpass half of the total by year's end.

The Association of Foreign Trading Agents of Korea (AFTAK) said Tuesday that export arrangement for the first nine months of this year by the 16 Japanese trading agents here, including C. Itoh and Co., Mitsubishi Corp. and Marubeni Corp., dropped 17.7 percent to 3.42 billion U.S. dollars from the same period of last year.

But the January-September import brokerage reached 6 billion dollars, about double the export ones, up 2.4 percent from a year ago, according to the AFTAK.

Accordingly, the trade deficit caused by Japanese agents during the first nine months increased 51.5 percent from a year earlier to 2.58 billion dollars or 44.8 percent of the total trade deficit of 5.76 billion dollars.

The deficit stemming from Japanese agents in Korea is growing rapidly and is thus expected to reach 3.5 billion dollars by the end of the year, exceeding half of the projected total trade deficit, AFTAK officials said.

In import arrangement, Mitsubishi topped the list with 1.37 billion dollars, followed by C. Itoh and Co. with 1.17 billion dollars and Marubeni with 1.05 billion dollars.

In export arrangement performances, Mitsubishi ranked no. 1 with 760 million dollars, followed by C. Itoh and Co. with 710 million dollars and Nissho Iwai Corp. with 490 million dollars.

Patten on Sino-Hong Kong Relations in Seoul

SK1412012294 Seoul THE KOREA HERALD in English 14 Dec 94 p 2

[FBIS Transcribed Text] Visiting Hong Kong Gov. Chris Patten yesterday said that there is no reason why disagreement on electoral matters should poison the rest of

the relationship between Hong Kong and China after 1997 adding: "I don't believe Chinese officials want that, either."

"There have of course been one or two well-published difficulties in the process of the transition, particularly since 1989 but I don't regard that as surprising," Gov. Patten said.

He was referring to what was described as a serious argument with China on the details of electoral arrangements for 1994 and 1995 as reported by the news media.

China has vowed to disband Hong Kong's elected legislature after the handover because "China disapproves of electoral reforms introduced by Chris Patten," according to a news report.

The decision was made over the weekend at a three-day meeting of the Preliminary Working Committee, a Chinese-appointed body that is helping Beijing prepare for the 1997 takeover. Playing down the report, Gov. Patten underscored his optimism on the future of Hong Kong after 1997 saying China has a huge and growing economic stake in the continued prosperity of the colony.

He made the remarks while meeting with members of the Korean Newspaper Editors Association over breakfast at the Korea Press Center yesterday. Gov. Patten flew into Seoul Monday for a three day official visit. He is the first ever governor of the colony to make an official visit to Seoul.

"We disagreed about whether the steps toward democracy were credible and fair but the argument is over and we want to draw a line under it," he said pointing out that Hong Kong and Beijing have recently been able to reach an agreement on the financing of the new airport, which had long been a contentious issue between Patten and the Beijing authorities.

Touching on the bilateral economic relations between Seoul and the Crown Colony, Gov. Patten said: "Our trading links with Korea are flourishing."

Last year, for example, Hong Kong was Korea's fourth largest trading partner, and Korea in turn, was Hong Kong's seventh. There are now some 270 projects involving Korean investors in Hong Kong, more than double the number since 1990.

Total Korean investment in the colony is over \$224 million, three and a half times what it was in 1990, according to Gov. Patten.

Hong Kong's investment in Korea stands at \$343 million.

"So we have large and growing stakes in each other's markets," he said.

There are just 950 or so days left before the end of British sovereignty in Hong Kong and the departure of the last governor.

"But Hong Kong will sail on. My task is to make sure that it is well governed to the end, in the interests of those who stay and take Hong Kong, prospering, into the future," he concluded.

Among those who attended the breakfast session were Amb. Thomas Harris of the United Kingdom, members of the entourage accompanying Gov. Patten, An Pyong-hun, president of the Korea Newspaper Editors Association, and vice presidents of the association, Nam Si-uk, Kim Yong-il and Paek In-ho.

More Speculation on Choice of New Prime Minister

SK1412102894 Seoul YONHAP in English 1024 GMT
14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—As President Kim Yong-sam is expected to announce the selection of a new prime minister next week, keen attention is drawn to who the new prime minister would be.

An informed source said Wednesday [14 December] that initially President Kim planned to announce his choice around Friday in the expectation that the National Assembly would act on the government reorganization bill on Thursday.

However, the source said, as the bipartisan floor leaders neared an accord on convening a special assembly sitting on next Monday on the Reorganization Bill, the announcement of a new premier will have to be put off until next week since it should be made after floor action on the bill.

At any rate, President Kim appears to have already chosen a new prime minister. "We understand the president had sent one of his confidants to the selectee and obtained his consent," the source said.

He said that excepting three persons nobody knows who the selectee is, the three being the president, the selectee and the messenger, noting that Kim is highly allergic to the leak of his personnel actions before announcement.

Despite the top secrecy, several candidates are spoken of in the political and government circles. They are Kim Man-che, chairman of the Pohang Iron and Steel Co.; one-time Premier Chong Won-sik; and Deputy Prime Minister Yi Hong-ku.

Kim and Chong were in the list of a few final recommendees forwarded to the president while Yi, if given any new duty, would perhaps be made to swap jobs with chief Chongwadae [presidential offices] Secretary Pak Kwan-yong, the source said.

Aides to the president said that President Kim seems determined to name some one highly rich in administrative experiences this time rather than valuing one's "freshness" as in the past.

In this respect, the new premier will probably be not from among politicians, academicians or businessmen, they added.

DLP, Opposition Fail To Agree on WTO Bill

SK1412084594 Seoul YONHAP in English 0836 GMT 14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—The ruling Democratic Liberal Party (DLP) and the main opposition Democratic Party (DP) held a floor leaders' meeting Wednesday [14 December] afternoon but failed to iron out differences on the issue of ratifying the World Trade Organization (WTO) Bill.

Reps. Yi Han-tong (DLP) and Sin Ki-ha (DP) met to adjust their differences on pending issues including the WTO Ratification Bill and a revision of the Government Organization Law but failed to find any common ground.

Therefore, the two parties decided to designate Reps. Sin Chae-ki (DLP) and Kim Yong-chin (DP) as representatives to working-level negotiations until Thursday on seven DP-proposed measures to develop farming and fishing villages.

After the negotiations, the parties' floor leaders will meet again to discuss a comprehensive agreement on the bills and whether to convene a special session of the National Assembly.

The two floor leaders focused mainly on how to deal with the special WTO bill before the assembly regular session ends Dec. 18, but the DLP opposed making the seven rural development measures proposed by the DP complementary to the WTO regime.

As a result, they could not discuss the details of convening a special session of the National Assembly next week to handle the revision of the government organization law and other bills.

Rep. Sin demanded the assembly establish a system to support rural areas by enforcing various measures including a unified medical insurance system, improvement of farming land and securing funds for projects aimed at improving rural communities.

Rep. Yi said it will be difficult to reach an agreement if the DP proposes new conditions in addition to the special bill on implementation of the WTO system, suggesting that the two parties hold working-level negotiations on the DP's ideas first before the floor leaders resume talks on a comprehensive accord.

Conflict in DLP Leadership Reviewed

SK1412071594 Seoul YONHAP in English 0622 GMT 14 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—Ruling Democratic Liberal Party (DLP) Chairman Kim Chong-pil has thus far refrained from responding openly

to some Democratic faction members' move to reform the party leadership with a view to removing him from the chairmanship.

Holding the firm belief that President Kim Yong-sam alone should decide whether to change the party leadership at the forthcoming DLP convention in February, Kim appears to attach little importance to "electing vice presidents through a competitive vote," an idea advanced by the democratic faction.

Although President Kim chided Home Minister Choe Hyong-u, originator of the leadership reform call, over the phone Tuesday, the Kim Chong-pil camp is keenly examining the chief executive's utterances, judging that the seeds of the call for a party leadership overhaul remain unmoved.

A close associate of Kim Chong-pil quoted the DLP chairman as remarking, "Silent as I am, I know full well what the president is thinking. 'Party invigoration' (proclaimed by the president) means inducing all to work with enthusiasm and joy by allowing each member to fully exercise his authority and responsibilities."

Commenting on the proposal to elect party vice presidents in a competitive ballot, Kim reportedly said: "Under a presidential system and furthermore in the ruling party, the president's nomination of a party representative is the final word."

Such confidence is reflected in his contacts with Chongwadae, the presidential office, as well. According to his associates, Kim Chong-pil telephoned a key presidential secretary to lodge this protest: "What is this fuss about when party unity is so urgently required to implement the president's perception of globalization? I myself could have a chat with the president directly, but see to it that such a talk never recurs in the future."

The Kim Chong-pil camp was quite pleased with President Kim's dressing down of Minister Choe, reasoning that the reprimand might have been prompted by Kim's protest.

Kim's associates expect that the chief executive, at his weekly Chongwadae meeting with DLP Chairman Kim Friday morning, will mention something concrete about the latest move in the government party involving the chairman's future. They hope President Kim will again stress a party leadership "centered around Chairman Kim."

Nevertheless, wariness about Kim's future has not dissipated, for even some core members of his own Republican faction assert that the time is coming for them to prepare for Kim's downfall.

They argue that the political damage Kim Chong-pil has sustained since the Third Republic in the 1960s is irrecoverable, and that the latest call for election of DLP vice presidents in a competitive vote is merely another step toward his departure from politics.

Political observers feel that Kim Chong-pil's political course of action and destiny are not unrelated to those of former opposition leader Kim Tae-chung, and that it is difficult to erase the impression that Kim Chong-pil is becoming a man of the past.

Automakers Set 1995 Export Targets

*SK1412022894 Seoul YONHAP in English 0209 GMT
14 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—South Korean automakers' export targets next year exceed a combined 1 million units for the first time since they started exporting motor vehicles in 1975.

Hyundai Motor Co. has set a car export target for 1995 of 456,000 units, up 16.9 percent from this year's goal of 390,000 units, while Kia Motor Corp., on the strength of its projected landing in the American market with the Sportage model, plans to ship overseas 265,000 units, up 26.2 percent from 210,000 units.

Daewoo Motor Co., which has developed the Cielo passenger car with the overseas market in mind and intends to ship it to Europe next year, is aiming to export 222,000 units in 1995, more than double this year's goal of 105,000 units.

Asia Motor Co. plans to export 29,800 motor vehicles next year, up 65.5 percent from this year's goal of 18,000 units. Ssangyong Motor Co., which has expanded production lines for the Musso jeep, has set next year's export target at 16,600 units, while Hyundai Precision and Industry Co. hopes to export 3,000 Galloper jeeps in 1995.

These targets add up to 1,037,000 units, topping the 1-million mark for the first time in the nation's motor vehicle history.

An official of the Korea Automobile Manufacturers' Association on Wednesday questioned the attainability of the targets, citing a number of problems for the nation's automakers including insufficient production facilities.

Noting that prospects for car exports next year are as bright as they were this year, the official predicted that South Korea would export 850,000 to 900,000 motor vehicles in 1995.

Statistics on Car Ownership Provided

*SK1312014594 Seoul YONHAP in English 0042 GMT
13 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—More than 1,920,000 automobiles were registered in Seoul as of the end of last month and the number is expected to top 2 million by next May, the city said Tuesday.

At the end of last month, the exact number of automobiles stood at 1,924,089 including 1,490,000 passenger

cars, 130,000 vans, 290,000 trucks and 1,800 others. The total figure was up 11.2 percent from a year earlier.

That represents an average daily increase of 519 automobiles, with 2 million vehicles expected on the road around the end of April or the beginning of May 1995.

The number of passenger cars for private use was 1,420,344, up 12.8 percent from a year ago and accounting for 74 percent of the total automobiles in the city. Of the private autos, compacts with engine displacement between 1,000 and 1,500 cc reached about 856,000, while cars with displacement between 1,500 and 2,000 cc tallied 500,000. Those between 2,000 and 2,500 cc came to 77,000, those below 1,000 cc to 34,000 and those above 2,500 cc to 22,000.

Meanwhile, the number of foreign-made passenger cars was 5,775 including 3,103 large autos with displacement above 2,500 cc and 570 compacts with displacement below 1,500 cc.

Institute Issues Report on Growth of Economy

*SK1312062394 Seoul YONHAP in English 0537 GMT
13 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 13 (YONHAP)—South Korea stands a good chance of posting 7 percent economic growth next year as elections for heads of local self-governing bodies are expected to revitalize the local economy, the Samsung Economic Research Institute predicted Tuesday.

According to a Samsung report titled "Prospect for Economy in 1995 and Direction of Economic Policy," consumption will gradually recover next year while the trend toward increased facility investment is likely to weaken.

There will be no big hikes in commodity prices, but the psychological factor of strong consumption in the private sector and the election atmosphere may block the price increase rate from falling greatly.

Therefore, consumer prices are forecast to climb 5.6 percent, down slightly from this year's expected increase rate of 5.8 percent, with producer prices rising 2.4 percent compared with this year's 2.6 percent, the report said.

The increase rate for exports may reach 11 percent next year, falling slightly from this year due to a lessening of influence by the strong Japanese yen, weakening the competitiveness of South Korean goods amid a strengthening of the Korean won and fiercer competition on the international market.

Imports will continue to rise steadily, according to the institute.

Imports of capital goods may be encouraged by a continued readjustment of the industrial structure, while those of consumer goods are expected to record solid

growth due to expanded domestic market opening and higher consumption in the private sector, the report predicted.

As a result, exports on a customs clearance basis will hit 104.3 billion U.S. dollars while imports are expected to stand at 112 billion dollars. The trade deficit will thus come to 7.7 billion dollars, the report said.

Life Imprisonment Demanded for Accused Official

*SK1312081094 Seoul YONHAP in English 0739 GMT
13 Dec 94*

[FBIS Transcribed Text] Incheon, South Korea, Dec. 13 (YONHAP)—Incheon District Public Prosecutor No Myong-son demanded life imprisonment for An Yong-hui, 53, a former city tax official, on charges of embezzling tax revenues at an Incheon District Criminal Court hearing Tuesday [13 December].

No also sought 20 years in prison for three others on the same charges but to a lesser degree: Yang In-sok, 29, Kang Sin-hyo, 55, and Yi Tok-hwan, 32, all Incheon tax collectors.

He demanded jail terms of one and a half years to life for all 40 people indicted on embezzlement and bribery charges in a tax scandal at this city's Puk-ku (north ward) office involving some 7 billion won (about 8.7 million U.S. dollars) uncovered in October.

In calling for harsh prison terms, No said the prosecution hopes the trial of this scandal will provide a painful lesson for corrupt civil servants and business people to restore their morals, thus contributing to the reform movement under way.

Court Rules for Plaintiffs in Sinhan Claim Case

*SK1412022094 Seoul YONHAP in English 0159 GMT
14 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 14 (YONHAP)—The Supreme Court told Korea First Bank Tuesday to return to Kim Chong-ho, 73, and his son, Tok-yong, the 1.3 million shares of Sinhan Investment and Finance Co. which the Kims sold to the bank under government pressure in 1985.

Presiding Justice Yi Ton-hui of the Supreme Court's civil case panel No. 1 ruled that the bank must return the 1.3 million shares to the plaintiffs as the government unlawfully forced them to sell the shares to the bank and even meddled in their pricing, upholding a lower court's decision.

When the Kukje Business Group, owned by Yang Chong-mo, was dissolved by the government in 1985, Sinhan Investment and Finance was included in the government's "liquidation plan for the Kukje Group" simply because then-chairman Kim of Sinhan was an in-law of Kukje Chairman Yang, though Sinhan was not an affiliate of the Kukje Group. Moreover, Sinhan

underwent government tax inspections and Kim was slapped with an exit ban, leading Kim and his son to sell their shares to Korea First Bank at a low price, he said.

Kim Tok-yong is a son-in-law of Yang Chong-mo.

The justice dismissed as groundless the defendant's claim that the contract with the Kims was valid because it was signed with good intentions, judging that the defendant was well aware that the plaintiffs had no choice but to give up their shares.

The Kims sold 800,000 shares of Sinhan to Korea First Bank under Finance Ministry pressure in 1985, but filed suit against the bank in May 1988 demanding that it return 1.3 million shares, including the new shares issued on the basis of the 800,000 shares for a capital increase, because the contract signed under government intimidation was invalid.

In August 1993, the Seoul High Court ruled in favor of the plaintiffs.

With the Supreme Court's ruling Tuesday, the Kim family will become the controlling shareholder in Sinhan, having 21.6 percent of the short-term finance company's 6-million-share capital stock.

Country's Sociopolitical Events Reviewed

*SK1412020994 Seoul YONHAP in English 0153 GMT
14 Dec 94*

[Article by Yi Kwang-ho]

[FBIS Transcribed Text] Seoul, December 14 (YONHAP)—The second year of President Kim Yong-sam's civilian administration, 1994, experienced turbulence in pursuit of a firmer footing for the government slogan "Reform and change" in all walks of life.

During his first year in office, President Kim's government strove to consolidate the foundation for reform through legal and institutional means to attain the ultimate goal of "a clean government and society."

But his second year is being likened to an interim period where Kim's reform policies were put into practice to maximize their effect in a calm manner so that Koreans in general realized their impact in the initial stage.

The reformative measures had great repercussions for people with vested interests and privileges.

There was no sanctuary in the government's indiscriminate push for reform. Quite naturally, a spate of corruption scandals ensued and seemingly endless irregularities in officialdom cropped up across the country. Moreover, an unprecedented number of large-scale accidents were trumpeted by the news media.

Despite these distractions, the National Assembly passed sweeping election-related political reform bills early in the year designed to realize a climate of clean and fair elections.

President Kim declared in March that anyone engaging in illegal and corrupt elections would be expelled from officialdom while endorsing laws on prevention of illegal polls, political funding and local autonomy.

The political laws passed at an extraordinary National Assembly session in March were revolutionary, putting an end to the country's election history marred by corruption and confusion.

Most significant of all the political laws was putting a lid on election expenses through transparent political funding.

Previously, it was common for a candidate running for parliament to pour billions of won into his campaign, but the new legislation limited such expenses to 50 million won and reduced the number of campaign staff per candidate to one-tenth [number as received].

The new electoral laws proved their effectiveness in the Aug. 3 parliamentary by-elections for three constituencies including Taegu city's Susong-a district.

Although the ruling party triumphed in only one of the three districts, most voters evaluated the polls as being the cleanest and fairest in history.

Encouraged by the fresh election atmosphere created by the new political laws, the government continued its campaign to eradicate corruption and irregularities in officialdom and the social strata.

Declaring war on corruption, the government began preparing institutional mechanisms to revert any illegally amassed properties held by corrupt officials to the state treasury.

Presently, there are some 34,000 public servants who are obliged to register their assets under the officials' ethics law. The number will increase to 94,000 beginning next year, encompassing lower-echelon officials involved in taxation, police activities, construction, health and hygiene, environment, audit-inspection, prosecution, customs, real estate and other major areas which are directly related to civil affairs.

The tax embezzlement scandal in Incheon city's Puk-ku (North ward) office and a similar case in Puchon city further amplified the necessity of harsher government measures against corrupt officials.

President Kim brought fresh air on campus when he attended the graduation ceremony of Seoul National University [SNU] in February, the first head of state to do so in 20 years. Kim's predecessors, the generals-turned president, did not attend the SNU commencement ceremonies even though they did so at the Military, Naval and Air Force Academies.

On another front, Chongwadae [presidential offices] staffers gave high marks to the government's economic achievements this year, which were supported by sustained economic reform measures. They predicted the

country would curb inflation to 6 percent and attain 7-8 percent economic growth and 95 billion dollars in exports.

However, a series of large-scale accidents clouded the civilian government's reform drive. Noteworthy were the Songsu Bridge collapse, the sightseeing boat fire on Chungju Lake, a fatal shooting by a soldier at a rifle range and others. Nevertheless, the people in general are still astounded by the huge amount of tax revenues embezzled by officials in Incheon and Puchon.

Incheon city Mayor Choe Ki-sun, a confidant of President Kim, resigned after the tax scandal and Seoul city Mayor Yi Won-chong also quit taking responsibility for the Songsu Bridge accident.

In the meantime, the government's credibility was severely marred by its inconsistent and confusing policies as seen in its stance toward North Korea after the death of Kim Il-song in July. The government created confusion when it withdrew a sweeping plan to reform the university entrance exam system a few days after an earlier announcement by an education reform committee.

The hasty appointment of a new Seoul city mayor in the wake of the Songsu Bridge collapse once again called into question Kim's personnel administration. Newly appointed Mayor U Myong-kyu was replaced by Choe Pyong-yul a mere 11 days later.

Earlier, a wave of confusion and discord over the government's policy on the North Korean nuclear issue occasioned the replacement of Prime Minister Yi Hoe-chang in April.

Nevertheless, President Kim's civilian government is not slackening its reform drive: Rather, it is tightening the reins further with a new slogan calling for nation's globalization.

Turning to internal developments in his ruling Democratic Liberal Party (DLP), President Kim's "minju" faction is gaining power gradually.

When Kim's opposition party was merged into the then ruling Democratic Justice Party, his followers in the party were overwhelmed in number by those of former Presidents Chon Tu-hwan and No Tae-u.

During the first year of his presidency, the ruling party revamped 35 local chapters and this year he replaced 32 local chapter chairmen who are not elected to the National Assembly.

The sweeping reshuffle of DLP chapter heads carries significance in that the 67 people replaced are mostly "men of Kim Yong-sam" and some are even from dissident activist groups.

Sources in the DLP's minju faction believe the reshuffle was only a beginning, saying the forthcoming shakeup of the remaining 46 "troubled" chapter heads and another massive reshuffle after next year's local elections will be far more far-ranging.

It is undeniable, however, that the ruling party is faced with internal feuding among factions over the ideological colors of newly admitted party members who were previously dissidents. Some were even dubbed "reds or communists."

Conservative members of the former military regimes took issue with the dissidents' political line in favor of class

struggle while charging them with being too lenient with North Korean communists. Some wonder how they could conduct state affairs with such "left-leaning" members.

Despite the dissatisfaction voiced by figures from past regimes, the DLP's minju faction is unlikely to loosen the reins in overhauling the party structure to meet the needs of the people and the country.

Burma

Khin Nyunt Blames 'Disunity' on Foreign Media

*BK1312133094 Rangoon TV Myanmar Network in
Burmese 1330 GMT 12 Dec 94*

[FBIS Translated Excerpt] The Special Refresher Training Course No. 13 for basic education teachers opened at 0900 this morning at the Central Institute of Public Services Training Hall in Hlegu Township. Lieutenant General Khin Nyunt, chairman of the Myanmar [Burma] Education Committee and secretary-1 of the State Law and Order Restoration Council [SLORC], attended and delivered an address. [passage omitted on attendees]

In his opening speech, Khin Nyunt noted various training, exhibitions, contests, and ceremonies were held constantly to boost the patriotic, nationalistic, unity, and social service spirit among the people. He said these courses were designed to build up resistance to counteract the psychological attack by a handful of people to enslave the Myanmar [Burmese] people again. He noted persons who do not wish to see Myanmar prosper—a handful of people from some countries, illegal Myanmar expatriates, and persons who are engaged in armed struggle for self interest—in collaboration with some foreign news agencies are fabricating false news. Khin Nyunt explained the unscrupulous activities of these destructive groups, which went around to some countries in Asia and the West in the hope of finding the cause for the destruction of Myanmar. He said they are just trying to make easy money by spreading fabricated concoctions.

He noted that the present historical situation could be clearly seen and that some countries, under the cover of international organizations, have been physically interfering in other countries' internal affairs thus causing the disintegration of those countries. He also remarked that some unprincipled news agencies, which have been used as a tool by some developed countries, have been broadcasting agitating news to sow disunity and discord among the people and these could be termed unscrupulous activities. He said, similarly, there are rumors being spread that some insurgents and expatriates, in collaboration with some news agencies and some foreign countries, are secretly planning the disintegration of the Union and disunity in Myanmar. Khin Nyunt remarked the SLORC believes that national unity is the most important thing for the nondisintegration of the union and for perpetuation of national sovereignty and noted 13 rebel organizations have returned so far to the legal fold.

Khin Nyunt then explained it is an undeniable fact that SLORC intends to transform Myanmar into a modern and developed nation and is engaged in political, economic, and social development activities with increased momentum. He noted in order to bring about a multiparty system, the national convention is being convened

to draw basic principles for a new constitution. He said just as the path towards the construction of a genuine multiparty democratic state—where the lawkapala eternal principles of justice, freedom, and equality prevails—is smooth and tranquil, it could be said that development and construction activities are also being successfully implemented step by step. Khin Nyunt then gave explanations about the economic sector and noted in due course work has been carried out with increased momentum towards a market-oriented economic system. He said 1992-93 and 1993-94 have been designated as economic years with the implementation of annual plans where domestic production and exports have markedly improved while the country has received good economic foundations. Khin Nyunt said according to the 1993-94 annual plan, the net national production and services income has been projected as kyat 58,388 million and with the achievement being kyat 57,825 million, the percentage of achievement is 99 percent. National economic growth compared to last year was 6 percent. He noted that various ministries have been trying very hard for integrated development in 1994-95 with the annual national output projected to be kyat 61,514 million while economic growth is expected to be 6.4 percent. [passage omitted]

The opening ceremony came to a successful end at 0930. Lt. Gen. Khin Nyunt then cordially met with the trainees. The training course is being attended by 1,500 teacher trainees from various states and divisions and the duration of the course is four weeks. The secretary-1, ministers, and party left the Central Institute of Public Services in the morning after having lunch with the trainees at the Mess Hall.

Religious Tension, Internal Conflict in KNU

*BK1312133994 London BBC in Burmese to Burma
1345 GMT 12 Dec 94*

[Commentary by Larry Jagan]

[FBIS Translated Text] Dear listeners, there has been group infighting at the KNU [Karen National Union] camp near the Thai-Myanmar [Burma] border. A group of Karen guerrillas numbering in the hundreds has broken away from the KNU rebel group and converged on a hill near the junction of the Salween and Moei alias Thaungyin Rivers. Although senior KNU officials went there to negotiate, shooting broke out yesterday. According to news received from the Thai-Myanmar border, while the KNU members are fighting amongst themselves, the Myanmar [Burmese] Army is said to be entering the vicinity, and the BBC's Larry Jagan from the Asia-Pacific Division sent this dispatch on fears of new battles amid the State Law and Order Restoration Council's [SLORC] cease-fire announcement in April 1992.

A group of KNU rebels numbering in the hundreds has mutinied against the KNU leadership and taken refuge on (Had Muay) Hill overlooking the Salween and Moei

Rivers since early this month. More than a week later, the mutinous faction began shooting at the rebels travelling along the river, cutting the KNU's vital supply and communications route. (?Yesterday), Major General Maung Maung, one of the KNU's senior officials, and three other Karen leaders went to the stronghold of the mutinous faction to negotiate a peaceful settlement. According to sources from the Burmese opposition forces, the mutineers seized the negotiators and began to shoot at the KNU boats on the river. However, according to Karen sources, it has been learned that Maj. Gen. Maung Maung was recently released and has returned safely to Manerplaw. News received from the Thai-Myanmar border notes that when the loyal KNU forces returned to Manerplaw to solve this problem, they (?came across) Myanmar government forces going to main front-line camps. Opposition sources claim the Myanmar defense services have occupied the western part of the river junction and are thought to be making preparations to launch an offensive against the main vital KNU outposts near the mountain ranges. Students opposing the Myanmar government also claim that the Myanmar forces are advancing toward their headquarters north of Manerplaw.

Although there were mortar attacks near Manerplaw, no news has been received so far of real fighting between Myanmar government troops and the opposition forces. According to responsible Myanmar military personnel, government forces have only captured the camps that the Karen rebels have abandoned, and currently there are no plans for an offensive. Military officials say the government still wants to keep the unilateral cease-fire announced almost two and a half years ago and that the current troop movements are traditional tactical maneuvers. Myanmar officials and KNU leaders said that since the winter season began two months ago there have been frequent skirmishes, resulting in loss of lives, and according to Karen sources, almost 200 government soldiers were either killed or wounded. Government officials remarked that the current fighting near the vicinity of Manerplaw is a result of internal conflict within the KNU.

There is a Buddhist monastery near the river junction overlooking the Salween River. Tensions rose within the Karen rebel group when the Christian-dominated KNU leadership ordered the abbot of the monastery to leave, accusing him of being a government spy. However, sources at the Thai-Myanmar border say they are confused, and the KNU is also facing with difficulty because the abbot has been preaching in favor of not paying any tax to the KNU. Tensions have been rising high within the KNU for quite some time regarding KNU tactics and Myanmar government's repeated offer for peace talks. Some young KNU soldiers believe the seasoned senior KNU leaders do not show adequate leadership in dealing with the peace talks. The KNU must find a quick and clear-cut solution to settle this internal conflict if it does not want it to happen again. There has long been disharmony between the Christian-dominated Karens of

the Irrawaddy Delta region and the Buddhist-dominated Karens of the hilly regions. The present Karen leader General Saw Bo Mya managed to reunite the Karens in 1976, but because of different tactics and political objectives, obstacles will remain.

Karen Detainees Freed, Situation Still 'Tense'

BK1312125594 Bangkok THE NATION in English 13 Dec 94 p A8

[FBIS Transcribed Text] Four top Karen leaders and four Buddhist monks who were taken hostage last week by a group of Karen troops during a violent religious dispute were released yesterday but the conflict has not yet been resolved.

The situation remained tense at the scene of a violent internal clash between Buddhist soldiers and leaders of the Karen National Union (KNU), the strongest remaining armed ethnic group yet to enter ceasefire talks with Rangoon.

About 70 percent of KNU forces, mainly low ranking officers and common soldiers, are Buddhist while most of the remainder—including top leaders—are Christian.

Fighting centred around the Mae Sam Lap Buddhist temple at the confluence of the Moei and Salween rivers.

Border sources said both sides are still working out "a peaceful solution" to the religious conflict which had been simmering for some time until gunfire broke out on Sunday between a group of discontented Karen Buddhist troops and the main Karen Army.

One of the temple's senior monks, widely respected by local Karen villagers and many KNU soldiers, was suspected by KNU leaders of being an infiltrator sent by the ruling Burmese junta to instigate religious uprisings against them.

According to the sources, the monk's recent expulsion coupled with the prohibition of the temple's religious activities worsened already bad relations between the two different religious communities and resulted in Sunday's clash.

Commuter boats are still banned from travelling between the Thai village of Mae Sam Lap and KNU headquarters at Manerplaw, about five km south of the temple.

Sources confirmed that yesterday morning and afternoon two separate groups were released, comprising Karen 2nd Secretary General Maj Gen Maung Maung; Justice Minister Tu Tu Lay; 3rd Secretary-General Padoh San Lin; Padoh Manh Sha, personal adviser to KNU leader Gen Bo Mya; and four Burmese Buddhist monks who tried to mediate in talks to resolve the conflict including U Wizaya.

At least three people were reportedly killed in Sunday's gunfire but nobody could confirm the victims' identities.

Sources said the clash broke out as Burmese troops were advancing purportedly to exploit the situation and attack Karen outposts and camps along the Thai border.

Sgt Maj Kyaw Sein, a former soldier of the Karen 7th Brigade, was said to have headed the group of several hundred disgruntled Buddhist soldiers of the KNU 1st Brigade's 20th Battalion which held the hostages and still control the Mae Sam Lap temple and nearby jungle area, according to sources.

A KNU statement released on Sunday said the leaders were "arrested and tortured" when they went to the temple to defuse the conflict and that U Wizaya and his team faced the same fate after arriving there to mediate.

The statement, written in Karen, also announced amnesty for all those who had revolted and said the KNU would try to solve the problems peacefully.

Cambodia

Possible Granting of GSP, MFN by U.S. Viewed

BK1412022694 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 13 Dec 94

[Station commentary: "Another Incentive for Developing Our Motherland"]

[FBIS Translated Text] To this day 26 countries have granted Cambodia the generalised system of preferences, GSP, and most favored nation status, MFN.

According to a reliable source the United States will be the 27th country to announce that it will provide a preference tax system for (?4,400) types of Cambodian goods. This U.S. decision, (?taken) since 1994, is a contribution to assist Cambodia's rehabilitation and quick development.

Despite this, five months have passed and the U.S. MFN and GSP seem to be just a light at the end of the tunnel, for which many local and foreign investors are waiting. A Trade Ministry official has disclosed that the U.S.' MFN and the GSP will be announced in early 1995. The above source has affirmed that the status of most favored nation trading nation for Cambodia will probably be announced by the U.S. at the end of the first quarter of 1995 at the latest. The same source stressed that documents relating to the MFN and GSP sent by the U.S. Administration to the Trade Ministry and relevant institutions for amendment to enable a (?smooth) trade exchange between the two countries—Cambodia and the United States—have been passed by the Kingdom of Cambodia's Trade Ministry to the Council of Ministers, and already forwarded to the U.S. Administration.

If this is the case, it will be another incentive to quickly promote our country's development because the U.S.' GSP and MFN are urgently required by foreign investors, particularly those from Taiwan, South Korea, and

Hong Kong, since these countries have more trade networks in the United States than in any other countries in the world. The U.S. market is also bigger than those of other countries due to its large population. From the U.S. market, products can be exported to neighboring countries, such as Canada. The U.S. market is favorable and can absorb vast quantities of clothes more than other goods. This is because the prices of garments in the United States are very high as labor costs are higher than those in Asia—Southeast Asia in particular and especially Cambodia.

Concerning the U.S.' MFN and GSP, Prince Krompreah the first prime minister recently said that the friendly United States will shortly provide a preferred tax system for 4,000 Cambodian goods. This is our firm hope for the sake of the development of the country and nation. If we received the U.S.' GSP and MFN in the first quarter of 1995, we could more readily prepare ourselves for ASEAN membership in the near future.

Ranariddh, Hun Sen Chair Cabinet Meeting 14 Dec

BK1412124794 Phnom Penh National Radio of Cambodia Network in Cambodian 1100 GMT 14 Dec 94

[FBIS Translated Text] Prince Krompreah Norodom Ranariddh and Samdech Hun Sen, respectively first and second prime ministers, presided over a plenary Cabinet meeting at the Council of Ministers office this morning. The meeting examined a proposal presented by the Ministry of Foreign Affairs and International Cooperation and a government declaration. It approved the 1995 financial law, a draft of the privatization policy, which is part of the government declaration, and expenses on ASEAN membership as applied for, through the Bali treaty, by the Foreign Affairs and International Cooperation Ministry.

Indonesia

* Suharto-Clinton Talks on 16 Nov Described

95SE0028A Jakarta KOMPAS in Indonesian 17 Nov 94 pp 1, 18

[FBIS Translated Text] Jakarta (KOMPAS)—At a two-hour meeting between President Suharto and U.S. President Bill Clinton at Freedom Palace Wednesday, 16 November, they explained their positions on East Timor, the 12 November incident in Dili, the implementation of basic human rights, the revocation of SIUPP's [press enterprise licenses], and the debts of poor countries.

President Suharto explained to President Clinton that Indonesia accepted the integration of East Timor in the context of respecting the basic rights of people of the former Portuguese colony who wanted to join Indonesia.

Minister of State and State Secretary Murdiono disclosed this information about the talks between the two leaders. According to Murdiono, President Suharto explained at length the process of integrating East Timor.

When asked, however, about Clinton's comment or reaction to President Suharto's explanation of the East Timor issue, Murdiono said, "I prefer to be cautious in answering that question, but my impression is that President Clinton listened carefully and that he did not have any specific reaction at the time."

The Suharto-Clinton meeting took place in two stages. At the first stage, a 30-minute meeting was planned, to be attended by Minister of State and State Secretary Murdiono, Foreign Minister Ali Alatas, Secretary of State Warren Christopher, and Anthony Lake, President Clinton's assistant for national security affairs. The first meeting actually lasted 90 minutes. At the second stage, a bilateral meeting, attended by the two leaders, took place between high officials of the two countries.

"The atmosphere of the talks between the two presidents was relaxed and marked by friendliness and mutual understanding, although both stated their positions clearly," Murdiono said.

East Timor Issue

According to Murdiono, President Suharto first emphasized that as countries of equal sovereignty and maturity, we must admit that we do not have the same views on all subjects. Therefore, it is important for each side to understand the values and problems of the other.

According to Murdiono, Clinton did in fact mention the recognition of basic human rights and the East Timor problem. President Suharto then explained in detail that the 12 November incident was a provocation by people who were not happy with integration. "It is a fact that we were tripped up by that provocation," the president said, as quoted by Murdiono.

Clinton then asked how many ABRI [Indonesian Armed Forces] personnel are in East Timor. President Suharto answered the question at length, emphasizing that ABRI's function in East Timor is in the context of ABRI's overall role. The president stressed that the current ABRI presence in East Timor is to help the people and to work with them in developing East Timor.

President Suharto also explained in the meeting that the persons now in the area under the jurisdiction of the U.S. Embassy are young people in their twenties who do not understand the integration process and have no experience with which to compare life when the people of East Timor lived under Portuguese colonialism.

To avoid misunderstanding, Murdiono also felt it necessary to disclose that President Suharto told President Clinton that the government will not give special autonomy to East Timor, in the sense of an autonomy different from the regional autonomy implemented in

other areas of the country. The president told Clinton that very great development efforts are being expended in East Timor.

President Suharto also stressed to President Clinton that the Indonesian Government continues to have an attitude of openness and wishes to invite anyone or any group in the United States—especially any member of Congress or the Senate—who wants to see Indonesia up close.

"President Suharto frankly said to President Clinton that about 76 members of the U.S. Senate have complained to President Clinton about the East Timor issue. He (President Suharto) invites them to visit Indonesia to see things up close," Murdiono said.

Other subjects mentioned in the Suharto-Clinton talks were freedom and basic human rights. Murdiono said President Suharto explained that the Constitution guarantees freedom to organize, assemble, and express opinion.

The president said, however, that the implementation of things guaranteed in the Constitution is regulated by laws. "Therefore, if there is an incident seen by the outside world as violating basic human rights, that is not the actual case. Action is taken because of violations of law," Murdiono said, quoting the president.

Because President Clinton touched in passing on the revocation of SIUPP's, President Suharto also pointed out that people are not forbidden to express their opinions. The revocation of SIUPP's was done based on law. "In this context, too, President Suharto explained that what is forbidden is not the expression of feeling. Those against whom action was taken were people who, hiding behind labor demands, instigated disturbance and unrest and caused casualties. That was what President Suharto explained to his counterpart," Murdiono said.

Indonesia's Role

President Suharto asked President Clinton for the attention of the United States to the problem of indebtedness by poor and backward countries. President Suharto said he would immediately write a letter to Clinton about gathering basic ideas on ways to solve the debt burden.

The president also invited President Clinton to take part in trilateral cooperation, namely in South-South cooperation financed by industrialized nations. "President Suharto also requested U.S. consideration to avoiding discriminatory treatment of Indonesian exports, remembering that the plywood and garment industries absorb much manpower. In a short discussion, however, we could not expect an immediate reaction from President Clinton," Murdiono said.

Clinton declared, however, that during the time he has led the United States one of the subjects receiving his attention has been the problems facing the Third World, which includes the Nonaligned Movement. For that

reason, Clinton expressed his appreciation for the leadership of President Suharto in the AELM [APEC Economic Leaders' Meeting], which produced an historic declaration. Clinton also expressed his special appreciation for Indonesia's success in expanding economic growth and stable political life.

Clinton also stated his thanks for Indonesia's contribution to the establishment of peace on the Korean peninsula, especially in the resolution of the nuclear issue. Clinton said he hoped that Indonesia would continue in that role and would remain in the talks on nuclear disarmament and that it would play other strategic roles in the future.

State Dinner

At a state dinner at the State Palace in the evening, President Suharto said that in the talks yesterday, Wednesday, and in the meeting of APEC leaders the day before "we have progressed another step toward the goal of creating free trade in the Pacific region." He said, "Free trade is not a lofty macroeconomic idea in the clouds, but an incentive for trade among nations for the sake of raising the standard of living for all our peoples."

He said these things when he expressed his welcome to Clinton, who was accompanied by his wife, Hillary. During the ceremony, President Suharto, who was accompanied by his wife, Mrs. Tien Suharto, said that for Indonesia free trade is evident in its increased non-oil-and-gas exports, ever-improving skills, highways, dams, and declining poverty. "These advancements are results we have achieved by opening the Indonesian economy through reducing barriers to trade, providing investment incentives, and extending integration with world markets."

On this subject, President Suharto expressed special thanks to Clinton, who has become the leader of a global movement for creating free trade. "You have shown courage in pushing for the elimination of barriers. Sometimes the things you have done may not have been popular from the political aspect, but you have done the right thing."

Indonesia feels honored by the opportunity to be host to the APEC meeting this year as a continuation of Clinton's successful initiative at Blake Island last year. "Twelve months ago, you developed a vision, which has begun to be realized during the last several months. Yesterday, at Bogor we affirmed it together."

The world's economy is increasingly unified and knows no national borders. No nation can grow alone, socially, politically, or economically. "We must not only trade with each other, but we must work together and learn from each other."

"In fact," the president also said, "we do not always agree about everything. There have never been two mature, sovereign nations that always agree about everything. The important thing for the future is that we speak

frankly and openly, as we have done today. If we do this, the things that bind us together will always be stronger than the things that divide."

President Suharto also mentioned Clinton's visit to the Istiqlal Mosque in Jakarta. "We are proud, just as you are, to provide a peaceful place for people who follow the major religions of the world."

"You have witnessed yourself that a great and beautiful mosque belonging to the Islamic community stands across from a Catholic cathedral. We are the nation with the largest number of Muslims in the world, but we are proud that we respect diversity of religion. It is that very diversity that gives strength to our nation," the chief of state said.

After the completion of his schedule, President Clinton and his party left for Halim Perdanakusuma. The Cadillac in which he rode stopped near the U.S. presidential plane. Foreign Minister Ali Alatas and Jakarta Governor Surjadi Sudirdja saw him off. After saying good-bye to these officials, Clinton and Hillary climbed the steps to the plane and waved as they entered the door. At exactly 2345, the plane took off, carrying the party home to the United States.

More Vietnamese Refugees Repatriated From Galang

BK1412095494 Jakarta ANTARA in Indonesian 1530 GMT 13 Dec 94

[FBIS Translated Excerpt] Batam, Riau 13 Dec (ANTARA)—A total of 132 Vietnamese refugees were repatriated from Indonesia's Galang Island through Batam's Hang Nadim Airport to Vietnam's Ho Chi Minh City on Tuesday.

Security escorts told ANTARA that 13 babies and 15 children under five years old were among the first batch of Vietnamese refugees to return to their place of origin in December. The babies and children were born at the refugee camp on Galang Island.

"Another batch of refugees will be repatriated at the end of this month," said a security officer who refused to be identified.

Earlier, the boat people were taken by a navy boat from Galang to board their flight at Hang Nadim Airport. The process of voluntary repatriation by the refugees, mostly under 30 years old, are proceeding smoothly. The refugees were assembled at a special waiting room, different from that of ordinary passengers, prior to their departure. [passage omitted]

Bureau Notes Lack of Progress on Human Rights

BK1312134794 Jakarta KOMPAS in Indonesian 10 Dec 94 p 4

[FBIS Translated Text] Jakarta, KOMPAS—The Indonesian Legal Bureau (ILA) considers that the human

rights situation has reached a worrisome level compared with that of the previous years. The privileges to conduct political and social activities, which were more open previously, have been limited.

This statement was issued by the ILA regarding the human rights situation in Indonesia for 1994. The statement was jointly issued to the press on Friday [9 December] by Adnan Buyong Nasution, the chairman of ILA, Mulyana W. Kusumah, the executive director, and Hendari, the director of communications and special programs. The statement was issued in conjunction with the commemoration of National Human Rights Day on 10 December.

According to the ILA, the deterioration of the human rights situation is due to the application of repressive laws. The ruling power has abusively applied criminal law in support of its own interests. The ILA cited an example of the abuse of criminal law as observed in the trials of Nuku Suleiman; Dedi Ekadibrata; 21 pro-democracy student activists; and Munir, an ILA activist and a trade unionist in Medan.

Such actions were undertaken through the abuse of politically motivated criminal law. This was carried out through the "political ban and permit" policy. According to the ILA record, the reason given for the cancellation or disapproval of 15 meetings scheduled to be held in 1994 was because no permission was obtained from the proper authorities prior to the holding of the meetings.

Hendari said: "On the one hand, the permit and ban policy has been applied as a final weapon to narrow the discourse of democratization and to clamp down on the possibility of the community becoming stronger, while on the other hand, such a policy will only build up apathy as a result of political discouragement that will obstruct the process of creating an intellectual society."

The revocation of the permits for the publication of TEMPO, DETIK, and EDITOR weekly magazines on 21 June 1994 has also tarnished the existing murky human rights record in Indonesia. He added: "Although there was legal and political defiance in connection with such a policy, the press will, unquestionably, find it difficult to rid itself of this fearful situation."

The ILA also stressed that civil and political rights, particularly the freedom to organize, are far from being realized. This could be clearly seen through the authorities' strong intervention and the penetration by government officials of social organizations, such as the Indonesian Democratic Party and the Nahdlatul Ulema.

Based on this factor, the ILA stressed that there is an absolute necessity for political deregulation. However, the ILA did not make any concrete suggestions for such deregulation. The ILA suggested that the government expeditiously ratify the civil and political rights convention and introduce the reformation of laws, particularly those regarding political activities.

Meanwhile, speaking to reporters in Jakarta on Friday [9 December], Alamsyah Hamdani SH [Master of Law], the director of the ILA in Medan, said numerous acts of human rights violations occurred in 1994. This indicates that Indonesia's human rights situation remains worrisome. The situation was even worse when compared with that of the previous years.

He also cited the violations of law in the fields of politics, law enforcement, labor, women's rights, and the environment. He said: "In the political field, the government introduced reforms during the 1992-1993 period, which it considered responsive and conducive to national development, democracy, and the protection of human rights. Unfortunately, these reforms now seem to have been reversed. A number of dramatic incidents that occurred confirm this."

A similar situation exists regarding law enforcement. He further added that the protection given to civil rights as a result of development, particularly to the lower strata of the society, is far below expectations. It is a common practice by the authoritative and financially established economic groups to usurp people's land under the guise of development. Such a situation has been further aggravated by illegal actions by either the authorities or other parties.

According to Alamsyah, the authorities only dealt with cases related to labor issues, while no action was taken against the industrialists who have repeatedly violated the norms of labor rights.

On the protection of women's rights, the court's imposition of sentences for rapists is absolutely not in accordance with ethics of human rights or justice. According to Alamsyah, the time has come for the government to expeditiously make a political decision through a human approach [two preceding words in English] regarding the various incidents in which human rights were blatantly violated in 1994.

At a forum held by students of Mataram University marking Human Rights Day on the university campus on Friday [9 December], the students made three appeals, calling on the university administrative board to give more humanitarian consideration on campus regulations, the termination of all illegal collection of levies, and more openness in the university's financial management.

15 E. Timor Rebels Surrender Over Three Months

BK1412103094 Jakarta THE JAKARTA POST in English 7 Dec 94 p 2

[FBIS Transcribed Text] Dili, East Timor—Military men are trying to prove that the man captured while watching them bathe in a river was a member Fretilin [Revolutionary Front for an Independent East Timor] rebel group.

Chief of the Wira Dharma military command, who oversees security in this former Portuguese colony, said yesterday that Alex Soares, 36, was arrested last week in Lautem. He said Alex was secretly watching troops soap up in the river when he was arrested.

"He will be released if there is no adequate proof of his rebel affiliations but brought to court if the investigation proves that he had a plan to undermine security," he said. He said 15 Fretilin rebels had surrendered to the military over the three months since he assumed his post. They turned in three rifles, six hand grenades and more than 100 bullets, he added.

Member of Aceh Dissident Movement Shot To Death

BK1412085694 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 13 Dec 94

[FBIS Translated Text] Harun Abu Bakar, 30, a member of the Aceh Security Disturbance Movement [GPK], was shot dead after an exchange of fire with military personnel at Belangpantas Village in Pidie District. The military also seized one AK-45 firearm with 75 bullets after some members of the minor GPK scurried away and escaped in the darkness on Sunday night.

Colonel (Infantry) Joko Subroto, commandant of Bilawangsa Military Sub-Area Command 011, said Harun was shot at because he did not heed warnings from the authorities when the GPK members were spotted in the village trying to buy foodstuff.

The military had received information from local residents that the group, led by Harun, used to visit the village; several personnel had therefore been posted there to look after security and order in the area.

Parliamentarians Favor Larger Defense Budget

BK1312144994 Jakarta THE JAKARTA POST in English 7 Dec 94 p 2

[FBIS Transcribed Text] Jakarta (JP)—House of Representatives' Commission I for politics and security urged the government yesterday to hike its military spending in order to bolster the nation's defense capability.

During a hearing with Minister of Defense and Security General (ret) Edi Sudrajat, the Commission I members expressed concern about the government's low level of defense spending, which averages only Rp [rupiah] 3.6 trillion (\$1.7 billion) a year. They said this level was barely sufficient to maintain a strong force and the equipment needed to defend the nation from potential external threats.

Aishah Amini who chairs the commission, said the Armed Forces must be allocated a larger budget given the increasing burden of ensuring security and defending the nation.

"Commission I feels that it is necessary to increase the budget for the improvement of the maintenance of our military hardware, the troops' welfare and other needs," Aishah, who led the hearing, said.

The call for more military spending comes as the government is putting the final touches on its 1995-1996 budget plans. The draft budget for the fiscal year beginning on April 1 will be presented to the House by President Suharto in the first week of January.

In the run-up to the budget presentation, the various government departments usually forge an alliance with related commissions in the House as they fight for a bigger chunk of the overall budget. Edi at a hearing with the same commission last October signaled that he was hoping for a hefty 24 percent hike in defense spending.

Yesterday he said that Indonesia's total defense spending amounts to only 1.7 percent of the Gross National Product [GNP] and 7 percent of the government's budget.

"If we want to be really serious about defense and security matters, the defense budget should be at least 3 percent of the GNP," Edi argued.

The current defense spending level only covers 20 percent of the maintenance costs for defense equipment. With a 24 percent increase, the military would be able to cover up to 35 percent of the maintenance cost.

"We are really concerned at this situation... Is it possible to increase the maintenance cover up to 50 percent?" Joko Sasetijo, a House member asked.

Edi replied that under the present budget constraints, the military is only buying second-hand equipment, or overhauling existing old weapons so that priority can be given to enhancing the welfare of servicemen.

The military is currently in the process of receiving 39 used warships from the arsenal of the former East Germany and 24 new Hawk jet fighters from British Aerospace. The purchase of a battalion of 50 Scorpion tanks is in the planning.

House member Didiet Haryadi of the dominant Golkar [Functional Group] faction said the more sophisticated the military equipment is, the higher the budget would be. "It is ironic that the defense budget is that small. All members of Commission I agree that the defense spending level should be raised to up to nine percent of the state budget, if necessary. But much will depend on the government's good will," Didiet said.

Laos

Khamtai Receives SRV Party-State Delegation

BK1312133794 Vientiane KPL in English 0928 GMT 13 Dec 94

[FBIS Transcribed Text] Vientiane, December 13 (KPL)—Khamtai Siphandon, president of the Lao People's Revolutionary Party Central Committee [LPRP]

CC] and prime minister of the Lao People's Democratic Republic [LPDR], received yesterday morning at the Prime Minister's Office the Vietnamese party-state delegation headed by Phan Van Khai, Politburo member of the Communist Party of Vietnam Central Committee, [and] vice prime minister of the Socialist Republic of Vietnam who paid a courtesy visit to him after his arrival in Vientiane to attend the funeral of Phoun Sipaseut.

In an atmosphere of friendship and solidarity, the Lao prime minister expressed his pleasure over this courtesy visit of Phan Van Khai and his delegation and thanked him for his participation on behalf of the party-state and fraternal people of Vietnam to attend the funeral of late Phoun Sipaseut, Politburo member of the LPRP CC and vice premier of the LPDR.

On this occasion, Phan Van Khai expressed thanks to the warm welcome of the Lao prime minister and conveyed condolences of the Vietnamese party-state leaders and people to Lao party-state leaders and fraternal people for the passing away of one of his top leaders.

President Greet Thai King on Birthday

BK1412102494 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 12 Dec 94

[FBIS Translated Text] His Excellency [H.E.] Nouhak Phoumsavan, president of our country, has sent a message of greetings to His Majesty King Phumiphon Adunyadet of the Kingdom of Thailand. The message reads as follows:

On the occasion of the celebration of Your Majesty's 67th birth anniversary, I, together with the entire Lao people, have the high honor to express to Your Majesty greetings and best wishes of happiness, good health, and long life. I hope that the friendly relations and fraternal cooperation between the two countries and two peoples of Laos and Thailand, to which Your Majesty and members of the royal family have made significant contribution, will be further promoted and strengthened.

On the same occasion, H.E. Prime Minister Khamtai Siphandon also has sent a message of greetings to H.E. Chuan Likphai, prime minister of the Kingdom of Thailand, on the celebration of the 67th birthday of His Majesty King Phumiphon Adunyadet, the great.

Condolence Messages on Phoun's Demise Reported

PRC Vice Premier

BK1312125894 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 12 Dec 94

[FBIS Translated Text] Qian Qichen, vice premier of the State Council and foreign affairs minister of the PRC, sent a message of condolences on 9 December to Comrade Saman Vi-gnaket, chairman of Committee in

Charge of Organizing Funeral for Comrade Deputy Prime Minister Phoun Sipaseut. The message reads as follows:

I am very sad to be informed that Comrade Phoun Sipaseut, Political Bureau member of the Lao People's Revolutionary Party Central Committee and deputy prime minister of the Lao People's Democratic Republic, passed away of his own illness. I would like to express profound mourning to you, comrade, and through comrade, to the Lao Government, Lao people, and family of Comrade Phoun Sipaseut on his demise.

Thai Prime, Foreign Ministers

BK1412095294 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 14 Dec 94

[FBIS Translated Text] His Excellency [H.E.] Chuan Likphai, prime minister of the Kingdom of Thailand, sent a message of condolence on 13 December to our Lao prime minister on the passing away of H.E. Phoun Sipaseut. The message reads as follows:

I have been informed with great sorrow of the passing away of H.E. Phoun Sipaseut, deputy prime minister of the Lao People's Democratic Republic [LPDR]. On behalf of the government of His Majesty the King and the Thai people, I would like to convey condolences to Your Excellency the Prime Minister and all Lao people for the demise of the person worthy of respect. The role of H.E. Phoun Sipaseut in promoting and strengthening the friendly relations and good cooperation between our two countries will be engraved forever in memory.

On the same occasion, H.E. Police Lieutenant Colonel Thaksin Chinnawat, minister of foreign affairs of the Kingdom of Thailand, also sent a message of condolence to H.E. the Foreign Affairs Minister of our country. The message reads as follows:

I feel very sad over the passing away of H.E. Phoun Sipaseut, deputy prime minister of the LPDR. I would like to express my sorrow to the Lao people, the family as well as friends of H.E. Phoun Sipaseut for the great loss.

Philippines

Official Rejects PRC Claim on Spratly Islands

BK1412062894 Manila MANILA STANDARD in English 11 Dec 94 p 2

[Report by Merlinda Manalo]

[FBIS Transcribed Text] The Department of Foreign Affairs [DFA] yesterday scoffed at China's recent announcement that it has gathered adequate proof from technical experts and scholars which purportedly strengthens its claim over the whole of the South China Sea.

China announced last 5 December through its local paper, the GUANGMING DAILY, that it has proof

asserting its claim over the Spratly Islands and the rest of the South China Sea, after more than 10 years of research by 400 scholars and experts in 48 fields.

"Let me reiterate that the part of the South China Sea which is known to the world as the Kalayaan Island group belongs to the Philippines. Accordingly, as a matter of policy, we cannot recognize China's claim to all of the South China Sea," Foreign Secretary Roberto Romulo said in a statement.

He explained that while the Philippines does not claim the larger part of the potentially oil-rich contested waters, portions of the sea fall within its 200-nautical mile exclusive economic zone, while some parts "properly pertain to the common heritage of mankind."

Romulo said portions of the South China Sea, a major sea-lane in the Asia-Pacific, are international waters and do not belong to the territorial limits of any country, particularly China.

Another senior foreign affairs official who spoke on condition of anonymity laughed off China's recent announcement. "If that's the only thing that needs to be done, then the Philippines can come with more, say, 500 scholars, to present proof that it owns the Kalayaan chain," he said.

The Spratlys and the surrounding waters are also claimed by Vietnam, Malaysia, Taiwan, and Brunei.

Romulo noted that China's announcement came at a time when the islands' claimants have been holding informal talks to start cooperative activities in the South China Sea, among which is a joint marine scientific research project that will be announced soon.

"The studies made by the Chinese do not change the situation in the South China Sea: there are conflicting claims which have to be addressed through negotiation and dialog," Romulo said.

The DFA chief reminded China that during a recent meeting last month in Jakarta, President Ramos and his Chinese counterpart, Jiang Zemin, reiterated their commitment to settle the issue without using force.

The South China Sea has been assessed by security experts in the region as a potential flash point, specially at a time when China has been beefing up its military forces near the Spratlys.

China and Vietnam recently reached an agreement to resolve their differences over the Spratlys through peaceful means and to jointly develop the area.

The bilateral accord was welcomed by the Philippines, although it was excluded from the proposed joint development plan between China and Vietnam.

Foreign Undersecretary Rodolfo Severino noted that the accord should only include the Paracels, which is contested only by Vietnam and China, and not the Spratlys.

Meanwhile, the Philippines and the People's Republic of China agreed to the reciprocal establishment of consulates general in Xiamen and Cebu Cities.

The agreement was formalized in Beijing last 8 December through an exchange of diplomatic notes between the Philippine Embassy in Beijing and the Chinese Ministry of Foreign Affairs.

Long awaited by nationals of both countries, the soon-to-be opened consulates general are expected to boost the prospering commercial relations between the Philippines and Southern China.

The Philippine Consulate General, which will be established in the bustling Chinese Special Economic Zone (SEZ) of Xiamen, will have Fujian, Guangdong, and Hainan Provinces as its consular district. Acting Consul General Benito Valeriano will head the post. Valeriano's last post was at the Philippine Consulate General in Hong Kong.

The Chinese Consulate General in Cebu City will have the provinces in Regions 7 and 8, in addition to Iloilo and Negros Occidental as its consular district.

Bank Official Previews IMF Negotiations

*BK1412085494 Manila BUSINESS WORLD in English
12 Dec 94 pp 1, 8*

[Report by Sheila A. Samonte]

[FBIS Transcribed Text] The Philippine negotiating panel sits down tomorrow night for high-level policy talks with the International Monetary Fund (IMF) review team without a consensus to discontinue the three-year economic program if the Fund does not grant a request for a relaxation of monetary ceilings.

"They (IMF) may say this is blackmail," Bangko Sentral [Central Bank] Gabriel C. Singson [no title as published] told reporters Thursday night when asked to comment on a statement by Socioeconomic Planning Secretary Cielito F. Habito raising such possibility.

"I don't know if we have enough reason to go out of the program. As of now, I don't see any reason why we should," he said. "What? If we don't agree, well just go out? That's blackmail! If I'm on the other side, I'll also say that."

An obviously irked Mr. Singson pointed out he is head of the Philippine negotiating panel, an apparent reference to Mr. Habito who said the decision was "agreed among ourselves." Mr. Singson is known for his conservative stance in debt negotiations, the most recent of which was when he strongly advocated for a full rescheduling agreement with the Paris Club creditors despite earlier indications the country can well afford not to reschedule because of its hefty international reserves.

The IMF team will be led by IMF East Asia and Pacific regional director Kunio Saito who arrived Saturday.

IMF mission head Kadhim Al-Eyd will not be joining this year's review, which Mr. Singson said is scheduled to end either on 15 or 16 December.

Official sources said Government will ask for an easing up of base money ceiling to 16 percent from the present 13.3 percent, with a monthly growth of 3.1 percent. The Bangko Sentral stayed within target during the November test period with the IMF, posting a mere 2 percent growth to P [pesos] 155 billion. (Base money, which is considered an accurate indicator of gauging whether the country's national product (GNP) growth can still contain inflation, is determined by summing up reserve money and reserve-eligible government securities.) The ceiling was based on the IMF's earlier assumption the economy would grow by 3.6 percent this year.

Negros Oriental Rep. [Representative] Margarito B. Teves said Congress has offered its assistance to negotiate the monetary targets with the IMF, but Mr. Singson said he is "confident in the reasonableness of the IMF team."

Consistent with the proposal for an upward adjustment in the monetary ceilings, Mr. Singson said the other highlight of the policy talk will be Government's bid to negotiate for higher growth targets under next year's economic program with the IMF.

"We will aim for a higher GNP target and we will negotiate strongly for more flexible monetary targets," he said.

The economy managed to grow by 5.5 percent during the first three quarters, raising optimism this year's original target of 4.5 percent may be surpassed. The economy has to grow at a steady 7 percent annually over a five-year period before it can be said that its growth is sustainable over the long term, Vicente Valdepenas, former director-general of the National Economic and Development Authority now director of the Southeast Asian Central Banks Research and Training Center, told BUSINESS WORLD last Saturday.

24-Day Cease-Fire Excludes Abu Sayyaf Group

BK1412092094 Manila THE MANILA CHRONICLE in English 10 Dec 94 pp 1, 8

[FBIS Transcribed Text] The unilateral 24-day cease-fire declared by the government early this week will not cover Abu Sayyaf rebels. This means that the military will continue to pursue the extremist rebels, particularly in Basilan, where the group is holding hostage five surveyors hired by the government.

Defense department officials said the 24-day suspension of military offensives (Somo) declared by President Ramos on Wednesday will cover only the Communist-led New People's Army (NPA).

This is the longest cease-fire declared by the government in the 25 year Communist insurgency warfare since the practice started during the Aquino administration.

The cease-fire will take effect the first minute after midnight of 16 December up to midnight of 8 January 1995.

A joint military-police force launched on Thursday a massive operation against Abu Sayyaf rebels who have since 18 November in the mountains of Sumisip, Basilan.

The surveyors, Jesus Bonifacio, Alfred Penaflor, Nelson Abella, Danny Dabad and Diony Abenes, were taken at gunpoint by rebels in Campo 2 while conducting a cadastral survey for the 70-hectare land development project of the Department of Agrarian Reform (DAR).

The rebels have been demanding a P [Philippine pesos] 2-million ransom for the release of their captives, according to Armed Forces Chief of Staff Gen. Arturo Enrile.

He added that operations against the Abu Sayyaf group, which he claimed has a follower of 80 to 120 armed men, will continue in areas where the group is reportedly operating.

"We are going to neutralize the Abu Sayyaf, if they continue their terroristic activities in the province," warned Enrile.

Supt. Remy Pendon, chief of staff of the Regional Command 9 of the Philippine National Police (PNP), ordered the operation following the expiration on Wednesday of the six-day extension given to negotiators to seek the release of the surveyors.

He stressed that he would stop the operations against the Abu Sayyaf rebels should the negotiators manage to have the hostages released by their captors, led by commanders Karim Akmanul and Nesto Asmawil.

Pendon said the military-police team has pinpointed the whereabouts of the rebels.

The declaration of the unilateral truce was recommended by Defense Secretary Renato S. de Villa and acting Interior and Local Government Undersecretary Alexander P. Aguirre.

"The unilateral declaration of a longer Somo at this time would generally be to the advantage of the government and enhancement of the peace process," de Villa said in his recommendation.

The government is pushing its peace negotiations with the National Democratic Front (NDF) to seek an end to Asia's longest communist insurgency.

De Villa said that a longer 24 day Somo "will also indicate sincerity in the quest for a peaceful solution to our internal armed conflict while demonstrating confidence in the government's capability to handle the insurgency problem."

The president said the Somo shall take effect with the presidential issuance of a safe conduct pass to all NPA rebels during the 24 day period.

The only condition is that Communist rebels who come out during that period must not carry firearms, explosives or other deadly weapons.

Mr. Ramos also said he had ordered that safe conduct passes be given to the newly arrived leaders of the National Democratic Front (NDF), Sixto Carlos and Byron Bocal.

The two stayed in the Netherlands for 11 years after fleeing the country immediately after the imposition of martial rule. Both had acquired Dutch citizenships.

Council Calls Cebu Airport Security 'Chaotic'

BK1412044994 Quezon City Radio Filipinas in English 0230 GMT 14 Dec 94

[FBIS Transcribed Text] The Manila Airline Operators Council, or AOC, said on Tuesday security at the Mactan International Airport in Cebu is chaotic. The AOC, which is composed of airlines landing at Ninoy Aquino International Airport [NAIA], also branded Mactan as one of the least secured airports in the world.

The pilot and crew of Philippine Airlines jetliner which was rocked by a midair explosion over Japan last Sunday also blame security lapses at the Mactan International Airport for the blast that killed a Japanese and wounded several others.

The AOC said security at Mactan is so chaotic that anybody can walk in and out of the airport without being stopped or checked. The group said Mactan is already a jump off point for various forms of illegal activities including human, cargo, and drugs smuggling. An AOC official told NAIA reporters the lack of security can be traced to lack of personnel, facilities, training, graft and corruption pervading in the airport.

Meanwhile the president has ordered the AOC and all the government agencies to make all the necessary steps to ensure that all the international airports in the country will be safe.

Military Begins Remote Area Development Programs

BK1412090294 Manila MANILA BULLETIN in English 10 Dec 94 p 29

[Report by Aris R. Ilagan]

[FBIS Transcribed Text] The Armed Forces of the Philippines (AFP) has launched "Oplan Unlad Bayan [Operation Country Development]," a nationwide development program to be conducted by the military in several remote areas formerly controlled by communist New People's Army (NPA) rebels.

In a press conference at Camp Aguinaldo, Quezon City, Enrile [General Arturo Enrile, AFP chief of staff] said it is about time that the AFP shift its attention from merely combat missions to development programs in view of the continued decline of the communist threat.

Enrile said the AFP "fared well in its counterinsurgency operations nationwide this year."

Based on military records, the strength of the NPA declined by as much as 12 percent this year, from 8,350 in 1993 down to 7,392 up to the third quarter of this year.

Enrile said the figures represent a 71 percent reduction from the movement's all-time high force of 24,000 in 1986.

The AFP chief of staff said the number of communist-affected barangays [villages] declined by as much as 28 percent this year, from 984 in 1993 to 711 for the first quarter of this year.

Military authorities said the remaining number of communist-affected barangays represents only 1.7 percent of the country's 45,000 barangays nationwide.

Due to the decline of the NPA strength, Enrile said he has submitted to President Ramos a recommendation of the AFP on the proposed transfer of counterinsurgency responsibilities from the military to the Philippine National Police (PNP) next year under the PNP law.

However, Enrile refused to comment on the areas where the counterinsurgency responsibilities will be assumed by police forces, stressing that the move still needs the approval of President Ramos, AFP commander in chief.

Thailand

Attorney General on Extraditing Former MP

BK1412023494 Bangkok THE NATION in English 14 Dec 94 p A2

[FBIS Transcribed Text] Thai law does not prohibit the government from extraditing a Thai citizen to face charges in a foreign country, Attorney General Khanit na Nakhon said yesterday. He said the government holds the authority to extradite former Chat Thai MP Thanong Siriprichaphong to the United States to face drug charges.

The Extradition Act B.E. [Buddhist Era] 2472 (1929) does not state that Thailand cannot send a Thai citizen for judgment and punishment in the foreign country where their wrongdoings were committed, Khanit said.

"It is up to the government to consider whether to send the person abroad," Khanit said.

On Monday, Charan Phakdithanakun, secretary-general of the Judiciary Affairs Office, had said Thanong could not be extradited to the US under Thai law. He had

explained that the Extradition Act did not compel Thailand to send a Thai citizen to a foreign country for punishment. But because Thailand and the US made an extradition treaty, both countries must act in accordance with that treaty, Khanit said.

He added that he believed the treaty in no way closed the door on the extradition of a Thai citizen to face charges in a foreign country.

"In the past when a US citizen committed crimes in Thailand and fled to the US, the US would send that person back to Thailand for punishment when asked by the Thai government," he said.

According to Khanit, the government would consider information from both the Foreign Ministry and Police Department to decide whether Thanong should be extradited.

If the government decides Thanong should face charges against him in the US, it must notify the Office of the Attorney General to ask the court for the extradition.

The court will then consider whether the request for extradition meets law requirements, Khanit explained. He added that Thanong has the right to appeal the court to reject any extradition.

"If the government rules that Thanong should not be extradited, the issue will end," he said.

He said a Thai citizen found guilty of involvement drugs trading since 1991 could be punished in Thailand regardless of where the crime was committed, according to the Narcotics Suppression Act B.E. 2534 (1991). However, if a Thai citizen was involved in drug trafficking in a foreign country before 1991, they could not be punished in Thailand.

Foreign Minister Thaksin Chinnawat said Thanong would be judged under Thai law first, and the Thai court would decide whether he was guilty and should be extradited.

Thailand will ask the US for substantial evidence about politicians accused of involvement in narcotics trafficking, including Chat Thai deputy leader Watthana Atsawahem, he said.

"I will tell the US Embassy that any allegations should be made only if backed with sufficient evidence. We will take action if there is evidence—allegations without evidence are unacceptable," Thaksin said. He said US authorities have been requesting Thanong's extradition since Prasong Sunsiri was foreign minister. The issue is now the responsibility of public prosecutors who must decide whether to file charges against Thanong. He said the Attorney General's Office has the full authority to make a decision on this issue.

Thaksin believed the image of Thai politicians would not be tarnished by Thanong's alleged involvement in the drug trade because this could happen to a member of any

profession. He said he had not received a request from the US for Watthana's extradition, and he vowed to make clear who is and is not involved.

"If I have time, I will try to make clear who is involved and who is not. I don't want to hear allegations if the people under suspicion are not really involved," he said.

Justice Minister Sawai Phatthano said that as the Thai-US treaty has been in effect since 1991, Thanong's extradition to the US would depend on the time of his crime, and Thai officials are still waiting for US officials to send this information.

Sawai said Thai law enforcement agencies will take legal action against Thanong even though the US did not request his extradition.

Thanong was indicted in a US district court in 1992 for exporting some 45 tonnes of marijuana over a period of 10 years to the United States.

Cambodian Interior Minister Visits on Security

Meets Defense, Foreign Ministers

*BK1312155794 Bangkok Thai Color Television
Channel 9 in Thai 1200 GMT 13 Dec 94*

[FBIS Translated Text] Defense Minister General Wichit Sukmak said he believed that the Cambodian Government will be able to take action against the Khmer Rouge, who were responsible for the massacre of Thai workers inside Cambodia.

The defense minister revealed that many people, including the chief of staff of the Cambodian armed forces, believed that the 22 Thai workers of the BLP Company were killed by the Khmer Rouge, noting that the Cambodian Government and armed forces will become strong enough to punish the Khmer Rouge.

Five more bodies of the Thai workers killed by the Khmer Rouge were found and brought back to Nam Yun District of Ubon Ratchathani Province. The funeral is being held at Wat Nam Yun Temple. The bodies were decomposed beyond recognition and had to be identified by their clothing as Wilai Saimet and Wandt Lalai from Nakhon Phanom Province; Khiao Kaeokhiao and Thongsuk Nasinphrom from Khon Kaen Province; and Sarot Siphloi from Prachuap Khirikhan. Another worker still missing is Chaloei Kasian from Ubon Ratchathani.

Meanwhile, Foreign Minister Police Lieutenant Colonel Thaksin Chinnawat told reporters after receiving the Cambodian ambassador and foreign minister that the Cambodian Government has promised to send the court verdict against General Sin Song, one of the abortive coup plotters, to the Thai Government soon. The Cambodian foreign minister told him that the delay was caused by Sin Song's decision to petition the court of appeal prior to the amnesty granted by King Sihanouk, which subsequently nullified the verdict of the court of

first instance. The Cambodian Government has promised to expedite the court action and send the verdict against Sin Song to the Thai Government as soon as possible.

Further on Security Talks

*BK1412024794 Bangkok BANGKOK POST in English
14 Dec 94 p 12*

[FBIS Transcribed Text] The Interior Ministry has ordered the governors of eastern border provinces to watch out for security problems stemming from a possible flare-up of fighting in Cambodia during the dry season.

Officials said the order went out to the seven border provinces after Prime Minister Chuan Likphai ordered a policy review and banned any contact with the Khmer Rouge.

The Prime Minister's order, conveyed to the Interior Ministry through his secretary Thawat Wichaidit, prompted the ministry to summon the governors and related agencies to a meeting late last week.

Deputy Permanent Secretary for the Interior in charge of security affairs Damri Wattanasing instructed the governors to impress on border residents that contact with the Khmer Rouge was prohibited because they had been outlawed by Cambodia. Cambodia's parliament passed a bill outlawing the guerrillas in early July. Mr Damri also called for strict checks on movements across the Cambodian border the officials said.

After the meeting, the Interior Ministry circulated instructions calling on the governors to explain to their border populations the dangers of associating with the Khmer Rouge and of violating government policy on border issues.

The ministry also alerted the governors to the possibility of security problems as heavy fighting was expected to break out in Cambodia this dry season.

The fighting may cause supply shortages for the protagonists and lead to more banditry along the border, according to the ministry.

—Cambodian Foreign Minister Ing Huot, who is in Bangkok for a conference on sea laws, maintained yesterday that the Khmer Rouge were responsible for the killing of 19 Thai timber workers in the northern Cambodian province of Preah Vihear late last month.

"The outcome is very clear; it was the work of the Khmer Rouge," said Mr Ing Huot after talks with Foreign Minister Thaksin Chinnawat. Ten people survived the November 21 massacre, which was attributed to the Khmer Rouge because they were angry over the failure of Thai BLP Import-Export to pay a ransom of five million baht. Another four Thai workers are still unaccounted for.

Mr. Thaksin said he discussed the incident—as well as the more recent robbery in Sakaeo in which two Thai police officers were killed—when he met Cambodia's First Prime Minister Prince Norodom Ranariddh on Monday. The two met at Don Muang Airport before the prince returned to Phnom Penh. Mr Thaksin said the prince asked him to convey his condolences to the families of the victims. He said the prince said the Cambodian Government was ready to cooperate in solving the problem by taking part in a joint committee.

The Foreign Minister said he was confident a joint team could be set up and senior military officials from both sides met at the border yesterday.

Four Cabinet Members Submit Resignations

*BK1412065894 Bangkok Radio Thailand Network in
Thai 0530 GMT 14 Dec 94*

["Announcement" issued by the Prime Minister's Office in Bangkok on 14 December]

[FBIS Translated Text] Nippon Phromphan, minister of agriculture and cooperatives; Major General Sanan Khachonprasat, minister of industry; Deputy Finance Minister Trairong Suwannakhiri; and Deputy Finance Minister Churin Laksanawisit submitted their resignations from their respective posts to the prime minister on 13 December 1994. The ministerial posts of Nippon Phromphan, Maj. Gen. Sanan Khachonprasat, Trairong Suwannakhiri, and Churin Laksanawisit have thus been terminated as of 13 December 1994 in compliance with Article 169 (2) of the Constitution of the Kingdom of Thailand.

Announced on 14 December 1994.

Signed by Prime Minister Chuan Likphai.

Working Groups Formed To Study APEC Impact

*BK1012144094 Bangkok THE NATION in English 10
Dec 94 p B2*

[Report by Chirawat Na Thalang and Wichit Chaitrong]

[FBIS Transcribed Text] The Foreign Ministry yesterday formed three separate working groups with the private sector to study potential impacts on local businesses as a result of the Asia Pacific Economic Cooperation (Apec) trade liberalization.

Foreign Minister Thaksin Chinnawat hosted a meeting with senior members of the Federation of Thai Industries, the Board of Trade and the Thai Bankers Association yesterday to outline the ministry's preparation for Apec.

Thaksin agreed with the private sector to set up three working groups on agriculture, industry and services to identify which businesses Thailand should target under the Apec trade and investment liberalization programmes.

This will help both the government and the private sector to formulate strategies to compete in the liberalization of Apec.

The Apec leaders agreed at a summit in Indonesia last month to liberalize their economies by the year 2020. The pact however is non-binding. But Thaksin said Thailand should be ready to take full advantage of the trade liberalization which could take place well before the target date.

The new working groups will consist of representatives from each industrial association, coordinated by the Foreign Ministry's staff. They should be limited to about 10 members to contribute to their efficiency. The nominations should be in by Dec 20.

The private sector expressed concern that the working groups should include officials from the Commerce and Finance Ministries and related agencies.

They said that since the businesses have to rely on these agencies it would be more productive if all the agencies participated.

But Thaksin was reluctant to involve his ministry beyond coordinating the project. "Normally, the inclusion of civil servants from various ministries would drag on the decision-making process," was his response.

His statement reflects ongoing uneasiness between the Commerce and Foreign Ministries on their respective roles in Apec.

Thaksin met for the first time yesterday with local businessmen to discuss the impact from Apec's plan to liberalize the regional market. Thaksin, who attended the recent Apec meeting where the leaders expressed their aspirations to create free trade in the area by 2020, told the private sector that there remains uncertainty on the future direction of Apec, "but liberalization is the inevitable trend. Overall, it will benefit the region, but the degree of benefit would depend on how each country adjusts itself to meet this trend," he explained.

To adapt to the changing business environment, Thaksin said that the Foreign Ministry has to study the impact from Apec as well as lay down the country's stance before the next Apec meeting, next November. The linkage of communications and telecommunications was cited as the Ministry's priority.

A Thai representative from the Pacific Business Forum, a forum for the Apec private sector, asked the Foreign Ministry to be aware of the unbalanced bargaining power among the 18 Apec members. "As we have experienced in the previous rounds of meetings among businessmen, the Americans, Australians or Japanese have strongly raised their agendas on the negotiating table. The smaller countries or Asean had no other alternative but to vote for them," the PBF [Pacific Business Forum] representative said.

Under the Bogor declaration, the Apec leaders set a two-tier timeframe for the Apec liberalization: 2010 for advanced countries and 2020 for the developing ones, but the representative from the Pacific Business Forum said that Thailand should not be under the illusion that it could enjoy the 2020 deadline.

"Would Thailand be considered a developing country in the year 2010?" he asked. He went on to say, "Don't forget that 80-90 per cent of the private sector is small and medium enterprises. I am not certain how many of them would be left after the implementation of Apec trade liberalization."

Pracha Khunakasem, permanent secretary to the Foreign Ministry, said that the Apec ministers would have to discuss the details of how to create free trade under Apec at the upcoming Osaka meeting.

The Apec ministers need to discuss eight points:

- Exemptions to protect the domestic markets
- The scope of Apec liberalization: will it cover the agricultural and service sector, and at what level?
- Will Apec implement the trade liberalization plan all at once or on a sector by sector basis?

One participant questioned whether Thailand would enjoy the same benefits trade liberalization will provide to the United States or Japan. "Let's say we allow the Americans or the Japanese to come freely into Thailand, would we be able to enjoy the same right in return?" he asked.

A businessman said that the most important element is the Japanese market, which is the biggest and of the highest-quality among the Apec members. "To what degree can we expect trade liberalization from Japan," the private businessman asked. He said that despite the Japanese position in favour of free trade, the Japanese market still maintains a number of trade barriers.

Editorial Urges Government To Focus on WTO

BK1412092594 Bangkok THAI RAT in Thai 14 Dec 94 p 3

[Editorial: "Stick to the World Trade Organization"]

[FBIS Translated Text] The Thai political crisis is about to be settled. The chance for the dissolution of the national assembly after the passage of the Constitution Amendment Bill to hold another nationwide general election is dying out. It now is certain that the Chat Phatthana Party will join the coalition government replacing the New Aspiration Party. Hence, there will be a major cabinet reshuffle to form a new coalition—the fourth of Prime Minister Chuan Likphai. Meanwhile, we want to urge every person to pay more attention to the World Trade Organization and formulate Thailand's stance regarding this international body.

"World Trade Organization" (WTO) to be established on 1 January 1995 is in fact the second United Nations. Its duty is to control trade activities of all countries and strive for trade liberalization worldwide. It will ensure fair treatment for all countries. Formerly, everyone believed that the practice of free trade worldwide was something impossible. But not any more. The ratification of the Uruguay agreement by more than 100 countries has brought new hope. However, free trade can never be materialized without the cooperation of the United States and Japan.

Although Thailand has amended many laws to enable it to cope with the liberalization of world trade, it has not yet ratified the agreement. It is anticipated that Thailand will join the WTO before the end of this year. However, that is not enough. Our suggestion is for Thailand to send its officials to work in the WTO at all levels from the top to the bottom. We must act quickly because other countries also think this way.

Major powers and economic giants are vying for the position of WTO director general, whose significance is second to only the UN secretary general. Thailand supports South Korea while other countries contesting for the post are Italy and Mexico. It is very unlikely either South Korea or Mexico will win the election. Thailand is unable to send any candidate to contest such an important position. But Thai officials are surely qualified for positions at the medium and low levels in the organization.

Trade liberalization will have a negative impact on our agricultural sector. Crop products imported from other countries will be cheaper than those domestically produced. We recommend that the government set up a fund to help Thai farmers. Generally speaking, Thailand will gain more than lose from trade liberalization. Preparations must be made to help the agricultural sector.

After the Government gets itself well organized, it must give first priority to the WTO. A new office should be set up or a ministry assigned to specifically handle all work related to the WTO.

New Agency To Handle Trade Planning, Negotiations

BK1412034094 Bangkok *THE NATION* in English 14 Dec 94 p B1

[FBIS Transcribed Text] Prime Minister Chuan Likphai has given a go-ahead for the formation of the "International Trade Organization of Thailand" (ITOT), a permanent body which will take charge of international trade planning and negotiations.

The establishment of the new body is expected to coordinate policy directions between various ministries in trade and put an end to the ongoing dispute between the Foreign and Commerce ministries.

Deputy Prime Minister Suphachai Phanitchaphak will consult Commerce Minister Uthai Phimchaichon and Foreign Minister Thaksin Chinnawat within the next few weeks on setting up the "ITOT", to be fully responsible for every aspect of international trade.

The new permanent organization, expected to be under the control of the Prime Minister's Office, will look after multinational trade arrangements such as Gatt, regional trade arrangements including Apec [Asia-Pacific Economic Cooperation] and Asean, and subregional arrangements such as the Northern Growth Triangle economic cooperation with Malaysia and Indonesia, hexagon projects or other trade arrangements with neighbouring countries, said Suphachai.

He announced the plan at the "Management Challenges in Formulating 1995 Business Plans" symposium organized by the Thailand Management Association.

"Now, trade matters are scattered among many government agencies, without cooperation among them, which does not support a unified national stand on international trade. Therefore it is necessary to set up a special office to handle these matters," Suphachai said.

Presently, the Commerce Ministry looks after the General Agreement on Tariffs and Trade (Gatt) and the Asean Free Trade Area (Afta), while the Foreign Ministry is responsible for the Asia Pacific Economic Cooperation (Apec) and the National Economic and Social Development Board (NESDB) is looking after the sub-regional economic cooperation projects.

"When Thai delegates attended international trade negotiation meetings, each government agency competed to expand its role, without a spirit of cooperation to jointly serve the national interest," he said.

Asked whether the new organization will be similar to the USTR (US Trade Representative) office, Suphachai told a group of reporters that it may not be, but the point is how the organization could help Thailand increase its international trade negotiation.

The ITOT will replace the Office for Coordination of International Economic Affairs which is currently headed by Karun Kittisathaphon, deputy permanent secretary for commerce.

The staff at the new organization will be sent to be Thailand's ambassadors to the WTO [World Trade Organization] in Geneva, Suphachai said.

As the signatories of Gatt will implement its Uruguay round on Jan 1 and the WTO (World Trade Organization) gradually replaces Gatt, Thailand will seek to lead the WTO Committee on Agriculture. Asean members have already agreed to vote for Thailand to head the committee, according to Suphachai.

"If Thailand's delegate is elected to be the head of the committee on agriculture we will have the negotiating power to protect our trade interests," he said.

Suphachai said the government is not only focusing on matters of international trade, but will work to improve budget spending, privatization and human resource development.

He said in the 1993/1994 fiscal year the government spent only 81 per cent of the total budget, which indicated that budget spending is inefficient. Budget spending should reach at least 84 per cent, he said.

The private sector will be allowed greater participation in infrastructure projects. The government is trying to solve tax matters which hinder privatization, he said.

He said the government planned to upgrade unskilled labour to skilled labour, with two million by the year 2000 as the target.

* Bank, Finance Ministry's Stance on Inflation

* Bankers View Strategy

95SE0021A Bangkok *THAN SETTHAKIT* in Thai
23-26 Oct 94 p 4

[FBIS Translated Text] The Bank of Thailand has announced new regulations which will require commercial banks to reduce their net foreign exchange held as assets or surplus from not over 25 percent to not over 20 percent of capital and to reduce their foreign exchange liabilities or deficits from 20 percent to 15 percent of their capital. The commercial banks will have to hurry to meet these regulations by 4 November 1994. It is expected that these regulations will affect those commercial banks which have borrowed a great deal of money from abroad. They will have to make major adjustments. The Bank of Commerce announced that it would not be affected because it had not reached the ceilings.

Mr. Uthai Akkaphatthanakun, the general-director of the Maha Nakhon Bank Ltd. (public), said that 3 to 4 years ago the bank ratio was 15 percent while now it was only 9 percent. So these measures taken by the Bank of Thailand would not have any effect. And banks were now borrowing less money from abroad. Their foreign currency borrowings were done through the BIBF which recently released U.S.\$600 million.

"If the national bank only takes this measure, it will probably not force commercial banks to change their interest rates because deposits are still coming in normally. The Saha Thanakhan Bank itself will not be affected because it does not do enough business abroad to reach the ceiling imposed by the national bank—it only has 10 percent of its capital in this category," Mr. Piyabut Chonlawichan, the general-director of the Saha Thanakhan Bank Ltd. (public) said.

Dr. Minit Nonaphanthawat, the director of research for the Bank of Bangkok Ltd (public), expressed the view that these measures taken by the Bank of Thailand would not affect Thai commercial banks but would affect primarily the branches of foreign banks in Thailand

because they did not have many branches and so had few sources of baht and had to bring in a great deal of foreign currency and exchange it for baht. The goal of the Bank of Thailand was to cause less foreign exchange to be changed into baht and to force the interest rate for deposits to rise slightly.

But he felt that trying to solve the problem of inflation in Thailand by changing the interest rates on deposits would not work because if the interest rate on deposits rose, it would have the effect of increasing the differential between U.S. interest rates and Thai interest rates. This would cause more money to flow in. If one used the method of controlling credit, it would be meaningless because the rate of credit expansion was now lower than that specified by the Bank of Thailand (but if the activities of the BIBF were included, it would exceed the rate specified). Mr. Kitti Phatthanaphongphibun, the managing director of the Nakhon Thon Bank Ltd. (public) said that these measures might reduce the incomes of some commercial banks because they would have to buy more [deposit] insurance. In the past they did not need insurance on 20 percent but now this had been reduced to 15 percent. As for the Nakhon Thon Bank, it had been operating below the level required by the regulation from the beginning.

"These regulations do not affect the operations of commercial banks; they are just a warning to banks to be careful in borrowing money from abroad and bringing it in because the Bank of Thailand does not want to use measures which go against the policy of financial freedom. In the past banks have not brought in large amounts of foreign currency and changed it into baht, and in addition the interest rate for funds from abroad is now at 6 percent while the loan rate between banks (interbank) is only 4 to 6 percent and so there is no need for banks to depend on funds from abroad a great deal. The ratio of domestic to foreign funds in use by banks is 80:20," added Mr. Sing Nikonphan, the managing director of the Office of Foreign Currency and Exchange of the Nakhon Thon Bank.

Mr. Wisit Wongphaisan, the senior director for financial management of the Asia Bank Ltd. (public) said that the new regulations of the Bank of Thailand would not affect Thai commercial Banks at all because in the past they have generally not reached the 20 percent level in bringing in foreign currency and exchanging it for baht. It has generally been foreign commercial banks which have done this. And they could solve this problem by transferring accounts to Hong Kong.

Fiscal Policy Office To Find an Urgent Solution by November

After Mr. Tharin Nimmanhemmin, the Minister of Finance, walked hand in hand with Mr. Wichit Suphinit, the director of the Bank of Thailand, the Finance Ministry reported the inflation situation to the cabinet. On 19 October Mr. Tharin invited the director of the Fiscal

Policy Office and experts from the ministry for a discussion on the handling of the inflation problem by the national bank. This was done because the national bank reported that inflation was 4.9 percent for all domestic production (GDP) while private organizations insisted that inflation was over 5 percent. In addition even units of the Fiscal Policy Office felt that inflation averaged 5 percent based on the consumer price index, the wholesale price index and the export price index.

A high-level source in the Finance Ministry said that in the discussion between Mr. Tharin and the Fiscal Policy Office it was felt that the corrective actions taken by the national bank to halt inflation since the beginning of the year including increasing reserves for bad debts, increasing the ratio of capital to assets, increasing the standard interest rate (the bank rate) from 9 percent to 9.5 percent, and reducing the ratio of foreign currency reserves had not worked—inflation was increasing every month because the measures taken were too long-range and too weak.

With regard to measures to halt inflation Finance Ministry officials felt that a more effective method would be first to increase the standard interest rate more. Another method would be to increase the required reserves from the former level of 7 percent of liquid assets. This would help reduce excess liquidity and probably would not cause the money in the system to stop flowing as the Bank of Thailand feared. The third method would be to limit commercial bank credit to 21 percent.

What was important in solving the problem of inflation was that the Finance Ministry itself participate in helping oversee policy, but in the past the national bank has not sent it the data regarding inflation, in particular data about international financial investment, so that the Finance Ministry could not estimate or analyze trends clearly. For this reason on 20 October Mr. Tharin invited the director of the Bank of Thailand and the administrators of the bank for another discussion. They reached the conclusion that the Fiscal Policy Office should study inflation in coordination with the national bank and should report to Mr. Tharin again in November.

As for the Bank of Thailand Dr. Chaiyawat Wibunsawat, the assistant senior director said that the argument that the methods used by the the national bank to halt inflation were ineffective depended on one's point of view, but basically the Bank of Thailand was taking measures continuously and needed a period of time to judge effectiveness. The present inflation rate was not severe. It was still not appropriate to apply additional measures even though many were concerned. With regard to the commercial banks providing credit, the critical types of credit provided were only 6 percent of total credit. With regard to interest rates, many banks had begun to increase the rates for deposits, which he felt was in keeping with official policy. It would be appropriate for loan rates to rise in similar fashion.

Summary

The rate of expansion of the Thai economy was at 8 to 8.2 percent per year. Many technical units calculated that the inflation rate should not exceed 5 percent. If it reached 5 to 6 percent, it would be a danger signal for the economy in general. So it was the duty of the Finance Ministry and the national bank to take urgent measures, both monetary and fiscal, to stop the problem before it reached a point where it was difficult to correct. If in the happy event that the Thai economy expanded at a rapid rate like this continuously, then a slight increase in inflation would be all right but definitely not good because the real income of the people generally did not increase together with the expansion of the economy. The gap between savings and investment was such that Thailand lacked savings, which would tend to indicate that monetary policy would have to be stricter to limit the expansion of credit, keep it at an appropriate level and to keep private sector consumption from being too high as it was.

Savings and Current Account Balance for 1993-1994

	1993		1994	
	Billions of Baht	Percent of GDP	Billions of Baht	Percent of GDP
Savings	1,060.2	33.9	1,221.4	34.5
Investment	1,235.9	39.5	1,415.5	40.0
Savings Balance	-175.7	-5.6	-194.1	-5.5
Foreign Investment	174.0	-	421.0	-
Current Account Balance	-171.0	-5.5	-180.0	-5.2

* Bankers, Tharin Comment

95SE0021B Bangkok MATICHON in Thai 29 Sep 94
p 9

[FBIS Translated Text] Mr. Nukun Prachuapmo, a former director of the Bank of Thailand, expressed the view regarding the idea of Mr. Tharin Nimmanhemin, the Minister of Finance, of having the Finance Ministry take charge of monetary policy especially with regard to inflation and credit that if the Finance Ministry took on this responsibility, he was not certain they had sufficient personnel because these responsibilities required special units or teams to collect data. The Finance Ministry had many working for it, but they collected taxes and determined fiscal policy. As for monetary policy, in the past the Finance Ministry has relied on discussions with the national bank. "If they really do this, it probably would not hurt. I just think it would be good to have people apply to handle this job."

Mr. Olan Chaiyaprawat, the general director of the Thai Commercial Bank Ltd. (public), said that he felt it would be good if the Finance Ministry took away the power to

control inflation from where it had been with the Bank of Thailand and took care of it itself. Normally it was the responsibility of the government to control inflation, and various countries in applying monetary measures to control it had used both coordination between and sharing responsibilities between the central bank and finance ministries of those countries because there were many economic areas which they could help each other supervise which could not be clearly separated.

"Controlling monetary policy, especially with regard to the inflation rate which involves many factors, is too much for the Bank of Thailand alone. Monetary controls involve many areas, and it is necessary that there be coordination. We are not able to divide the responsibilities between the Bank of Thailand and the Finance Ministry clearly 100 percent. Although the United States and Germany have divided these responsibilities so that they are handled independently, England and other countries use the approach of cooperation as does Thailand. In any case I would like to hear from the Finance Minister again with regard to this policy," Mr. Olan said.

Mr. Tharin Nimmanhemmin, the Finance Minister, said that the report that the Finance Ministry wanted to take direct charge of the inflation problem was not true. There was no such plan, and he did not think there would be because dealing with inflation involved coordination between units both in the Finance Ministry, the Bank of Thailand and the Ministry of Commerce. In the past this coordination had always gone well, and the Bank of Thailand had always handled it well.

* Tharin on Ministry, Bank Positions

95SE0021C Bangkok MATICHON in Thai 28 Sep 94
p 9

[FBIS Translated Excerpt] [Passage omitted] Mr. Tharin Nimmanhemmin, the Finance Minister, revealed that he was considering transferring to the Finance Ministry the power over monetary policy such as changing interest rates and controlling the amount of credit in the system in order to control inflation. The Bank of Thailand was responsible for this now. He was making this change because he felt that the problem of inflation involved many factors and affected the economy in general, and therefore monitoring and controlling inflation as well as applying monetary and fiscal policy should be the responsibility of the same unit.

"In the past the Finance Ministry gave the Bank of Thailand a free hand in applying monetary policy whether it involved changing interest rates or controlling credit in the financial system. The bank reported to the Finance Ministry afterward. The Finance Ministry did not have the right to change the measures taken even when sometimes they did not correspond to the findings of the ministry."

Mr. Tharin said that if the monetary policy to control inflation were the responsibility of the Finance Ministry,

then the normal activities of the Bank of Thailand which it has to submit to the Finance Minister for approval, including asking permission to increase or decrease funds in the BNg., applications to open commercial bank branches, and supervising the ratio of capital to assets according to BIS regulations for BNg. and commercial banks, would be transferred to the Bank of Thailand which would be able to decide on these matters independently without submitting decisions to the Finance Ministry.

"In the past the Bank of Thailand has always asked for this, but the Finance Ministry has never permitted it because it was afraid that it would cause a problem like that of BNg. First City Investments (FCI), which affected the financial system. But if the Finance Ministry wants to be completely in charge of supervising inflation, it will have to give some responsibilities to the Bank of Thailand in exchange. Otherwise the Bank of Thailand will not agree because supervising monetary policy is its direct responsibility."

Mr. Tharin said that in the future inflation would be an important problem affecting the economic development of the country especially since the trend was for foreign investment in the ASEAN countries to increase. In addition the trend was for there to be much more investment in new capital markets and new securities and exchange markets. This would have the effect of making the value of the markets in general higher than that of the Gross Domestic Product (GDP) which would directly affect inflation. Therefore he felt that monetary policy for controlling inflation would be more important in the future than fiscal policy. Fiscal policy had to pass through many layers while monetary policy could be applied immediately. [passage omitted]

Vietnam

Do Muoi Receives Visiting U.S. Senators

BK1412150794 Hanoi VNA in English 1443 GMT
14 Dec 94

[FBIS Transcribed Text] Hanoi VNA Dec. 14—Vietnam wishes to close the past and establish friendly and cooperative relations with the United States, party leader Do Muoi said while receiving here this afternoon visiting US Senators Paul Simon and Frank Murkowski.

The party general secretary highly appreciated the contributions made by Mr Simon (Democrat) and Mr. Murkowski (Republican) to the promotion of the Vietnam-US ties.

The US senators, who arrived here yesterday, expressed joy at the good development in the bilateral relations in recent years. They thanked the Vietnamese Government and people for their active cooperation in joint efforts to settle the POW/MIA issues.

They reiterated their continued support for an early normalization of bilateral relations and expressed their

hope that the commercial and economic ties between the two countries would be developed strongly.

Earlier they were received by Foreign Minister Nguyen Manh Cam and held talks with Vice Minister of Trade Ta Ca.

Diplomatic Property Agreement Signed With U.S.

*BK1412103294 Hanoi Voice of Vietnam in English
1000 GMT 14 Dec 94*

[FBIS Transcribed Text] Vietnam and the United States have initialed an agreement on the overall settlement of diplomatic property issue. The agreement was reached on Friday [9 December] at the end of week-long negotiations between Vietnamese and U.S. experts in Hanoi. The Foreign Ministry said the agreement would be signed soon but it did not give any specific date. Officials close to the top said the agreement covers 36 U.S. official buildings, including the former U.S. Embassy in Ho Chi Minh City. Also included is the Washington Embassy of the former Saigon regime.

Vo Van Kiet Receives PRC Minister 12 Dec

*BK1312052094 Hanoi Voice of Vietnam Network in
Vietnamese 2300 GMT 12 Dec 94*

[FBIS Translated Text] Comrade He Guangyuan, PRC minister of machine-building industry, and the general managers of PRC machine-building companies have been on a working visit to Vietnam since 10 December at the invitation of our heavy industry minister.

Minister He Guangyuan has held many meetings and exchanged views with the leaders of the Ministry of Heavy Industry, the Ministry of Energy, the Ministry of Construction, the Ministry of Agriculture and Food Industry, and the State Planning Commission to discuss orientations for cooperative development in assembling and manufacturing machinery suitable to each country's economy, potential, and requirements on the basis of equality and mutual benefit and assistance.

On the afternoon of 12 December, Minister He Guangyuan and his entourage paid a courtesy visit to Prime Minister Vo Van Kiet at the Government Office. The minister solemnly conveyed cordial greetings to the prime minister from PRC Premier Li Peng. He also briefed the prime minister on the fine results of his working sessions with leading Vietnamese officials. He said these fine results have ushered in a new era in the traditional friendship and cooperative relations between the Chinese and Vietnamese machinery industries. Prime Minister Vo Van Kiet welcomed the visit. He highly valued the success and experience of Chinese machinery and the cooperation between the two countries in machinery in the coming period. He asked the minister to convey his thanks and greetings to PRC Premier Li Peng.

Prime Minister Receives Japanese Businessmen

*BK1412145894 Hanoi VNA in English 1423 GMT
14 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec. 14—Prime Minister [P.M.] Vo Van Kiet received here today on separate occasions Mr. Minoru Murofushi, chairman of Itochiu—a Japanese economic group, and Mr. Osamu Suzuki, chairman of Suzuki Corp. also of Japan, on current visit to Vietnam.

During the reception, Mr. M. Murofushi informed the premier of some joint venture projects on trading and investments afoot in Vietnam on oil exploration and exploitation, energy, post and telecommunications, civil aviation and other fields.

He expressed his group's wish to invest in the construction of an industrial complex in Bien Hoa, a fertilizer factory and an oil refinery and distributor. He announced his group's decision to donate USD [U.S. dollars] 50,000 to charity funds in Vietnam.

Speaking to his guest, P.M. Kiet said the friendship and cooperation between the two countries has been developing rapidly. However, he said, bilateral cooperation in investment is not commensurate to the two sides' potential and desires. He said he hoped that Itochiu will be one of foreign companies to effectively develop their investment projects in the country.

When receiving the Suzuki chairman, P.M. Kiet reiterated Vietnam's efforts to support and create favourable conditions for Suzuki to carry out its planned joint venture project on production and assembly of autocars and motorbikes. He said this joint venture would create groundwork for the corporation to enter into partnership with Vietnamese parties in other projects.

AFP: Police Clash With Crowd Outside Trial

*BK1412114794 Hong Kong AFP in English 1134 GMT
14 Dec 94*

[FBIS Transcribed Text] Hanoi, Dec 14 (AFP)—Police used tear gas and batons to break up a crowd that gathered Wednesday outside the central courthouse in Hanoi to wait for the result of an appeal by a police accused of murder. Police were seen charging the crowd of several thousand using batons and shields that give off blue sparks and electric shocks. The crowd, mostly young men, replied by throwing rocks. The crowd has gathered outside the courthouse for most of the day, waiting for the outcome of an appeal by a policeman sentenced to death in October for killing and robbing a young man.

Nguyen Tung Duong had earlier been cleared in a trial that was tainted with charges of corruption and that provoked outrage among Hanoi residents.

Asian Development Bank Grants \$60-Million Loan

*BK1412133894 Hanoi Voice of Vietnam in English
1000 GMT 14 Dec 94*

[FBIS Transcribed Text] The Asian Development Bank said in Manila on Tuesday that it had approved an interest-free \$60 million loan to Vietnam to improve drainage and irrigation system. The loan will focus on the Red River Delta in the north, one of Vietnam's most densely populated and heavily cultivated areas and prone to floods and water logging. The fund will be used to rehabilitate and upgrade irrigation and drainage system to boost agricultural production.

Foreign Investment in Hanoi Reviewed

*BK1412132294 Hanoi VNA in English 1223 GMT
14 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec 14—Years after Vietnam introduced its liberal law on foreign investment and foreign investors were still reluctant to stake their money in the country's capital. They preferred Ho Chi Minh City and other southern provinces to Hanoi and the north in general.

However, this trend has gradually reversed, says VIETNAM COURIER, especially since last year. The capital city is now ranked second in the country in terms of foreign investment, with a total of over 2 billion USD pledged in 164 projects. More and more potential investors keep coming. According to a recent report from the Hanoi Tourist Authority, Hanoi has so far this year hosted over 33,000 foreign visitors, many of whom probed their investment opportunities intensely.

Tourism appears to be the most attractive market of all, accounting for 50.4 percent of the total number of investment projects. Investors apparently see a quick buck to make in Hanoi for the city is engaged in a serious plan to ready 5,000 rooms of international standard next year and 14,000 ones by the year 2000, which is part of the tourist industry's efforts to attract 1 million foreign tourists to Vietnam in 1995 and 3 million in the year 2000.

Walking the streets of Hanoi today, the visitor will see new [as received] the luxurious hotel and office buildings going up in the down-town area, to say nothing of the mini-hotels which are mushrooming in almost every street. Vast areas on the city's fringe such as Quang Ba, Nhat Tan and Nghi Tam, which were once left to wild grass are giving way to villas and mansion-style constructions complete with cupolas. Many tourist villages are in the making, though obviously without much planning.

Second to tourism is investment in industry and services. Thanks to these inputs, many industrial establishments have been able to renew their technologies, becoming more competitive on the markets at home and abroad. Take the Hai Ba Confectionery Company for example. With financial and technological investments from Kubotoki of Japan, it has not only pulled back from the verge of bankruptcy but also carved for itself a sizable slice in the market. Its turnover has increased from 63 billion VND [Vietnamese dong] in 1992 to 94 billion VND in 1993 and hopefully over 100 billion VND this year.

New investments have enabled Hanoi to change the structure of its export goods from being composed mostly of farm produce and medicinal ingredients in the past to mainly of industrial goods at present.

The city's landscape is also changing fast, especially in its northern corner where the Noi Bai International Airport, which is designed to receive 2.5 million air travelers a year, and has become the centre of an 100,000 hectare EPZ [economic processing zone], being developed by a 25-million USD [U.S. dollar] joint venture between Vietnam and Malaysia. There are larger industrial areas on both sides of the Red River.

Housing development has also claimed a sizable part of the foreign investment. The Yen Phu Nghia Dung areas immediately north of the downtown area are receiving an investment of 250 million USD. They are slated to be sort of satellite towns of the future capital city.

Ordinances on Copyright, Communications Issued

*BK1412150094 Hanoi VNA in English 1437 GMT
14 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec. 14—An ordinance on copyright, an ordinance on protection of communication facilities and an ordinance on exploitation and protection of hydro-meteorological projects were made public in a press conference held here today by Chairman of the President's Office Nguyen Viet Dung.

The ordinance on copyright consists of 47 articles worked out in accordance with international practice in copyright.

The ordinance on protection of communication facilities has 39 articles stipulating in detail the protection of communication facilities and the state management of the protection.

The ordinance on exploitation and protection of hydro-meteorological projects includes 35 articles defining the use and protection and management of these projects. This is the first juridical document approved by the National Assembly Standing Committee directly relating to the hydro-meteorological activities in Vietnam.

Australia

Keating on Realizing APEC Goal of Free Trade

BK1412124594 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 7 Dec 94 p 4

[Report by Peter Gill]

[FBIS Transcribed Text] Australia and its APEC colleagues might have to adopt a new tack in negotiating their way to the Bogor goal of free trade in the region by 2020, the prime minister, Mr Keating, said yesterday. Mr Keating's signal that the negotiating techniques of the past might be avoided came in a statement to Parliament amid Opposition claims he had overstated the value of the APEC accord.

In his first major statement since the APEC leaders' summit in Indonesia last month, Mr Keating acknowledged "we have a long way to go before free trade is implemented in APEC".

"Much detailed work remains to be done before we get an agreed plan of action for our meeting in Osaka, Japan, next year," he said. "No doubt there will be difficult negotiations and hard talk as we chart the way forward. Complex issues will need to be addressed, including modalities, coverage and whether benefits will be extended on a most favored nation basis."

"It may be that APEC will need to approach these issues in quite a different way from past trade negotiations."

Whether APEC members extend the benefits of lower trade barriers to countries beyond the group—the so-called most favored nation treatment of all trading partners—was one of the points on which the Leader of the Opposition, Mr Downer, challenged the Government. He said Mr Keating had failed to give a clear indication of Australia's position and was "hedging his bets".

"It is an extraordinary state of affairs that the Australian Government has no position of principle on this issue," he said.

Earlier, Mr Keating reiterated an estimate—attributed yesterday to the Office of National Assessments and the Industry Commission—that Australia's national income would be boosted by \$6.8 billion annually by "free trade" among APEC's 18 members. But Mr Downer said "it's simply not good enough for the Prime Minister to talk in hyperbole about Bogor".

"Bogor is not a panacea for Australia's underlying economic weakness—it is no magic pudding," he said.

Mr Keating said he would chair a new Cabinet committee to coordinate the Government's response to APEC's free trade agenda but he gave no further insights to the implications for Australia's remaining pockets of protection, the motor vehicle and textile, clothing and footwear industries.

Commentary Views Benefits of Bogor Declaration

BK1412124994 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 5 Dec 94 p 17

[Commentary by Alan Oxley]

[FBIS Transcribed Text] It will take several years of hard negotiating to wring the full free trade returns out of the Bogor Declaration on regional trade. Bogor will yield other economic benefits to Australia but the fundamental benefit will be political, not economic. It is likely a regional free trade agreement will be negotiated to meet the Bogor targets. But it will be a long time before the final form of that is clear. Those who despair that a discriminatory free trade agreement might emerge will be anxious for a while yet.

Whatever form of agreement Bogor spawns, APEC can now define a strategic association for Australia which will bolster Australia's peace and security.

Economic associations rather than military pacts have become the preferred instrument for international security among advanced economies.

Only when the rest of Europe had to confront the implications of a reunited Germany did it realize how global geo-politics had changed. The steady reduction of trade barriers and the consequent integration of the world's major economies had made economic interdependence the glue of international security, not nuclear mutually assured destruction.

The EC was formed on the supposition that if the major European powers become economically interdependent, they may not go to war with each other again. When the collapse of the Iron Curtain raised the specter of a reunited Germany, the supposition was tested. In proposing "one Germany in one Europe", Helmut Kohl proposed economic integration to secure military stability.

Economic integration has become the new instrument for political security in the western hemisphere. Brazil and Argentina have replaced their competitive nuclear ambitions with a Mercosur—an agreement to create an economic common market. Through NAFTA, Mexico has bound its future to the United States with an economic rather than military treaty.

Even in Asia, finance officials rather than defense officials create security. The basis for negotiating the return of Hong Kong to China was an undertaking to maintain Hong Kong's economic system, not its political system or military security. Taiwan has started to forge a political relationship with Beijing because of economic interdependence.

A natural economic system has emerged among the APEC economies. It is bound together by U.S. capital and the openness of the U.S. market to exports from Asia, Japanese capital, the entrepreneurship and capital of the overseas Chinese low labor costs, big regional

domestic markets, especially China and Indonesia, and the industrial strength of the new Asian manufacturers.

Trade and investment flows within the region and across the Pacific testify to the emergence of this community. Its economic growth through the recession showed its strength. It counteracted the depressant effects of recession in Europe, Japan, and the United States.

Australia had to be part of that system, come what may. Bob Hawke's original concept of APEC recognized that need. Having created the forum, it had to be institutionalized. This is the significance of Bogor and the importance of Keating's own sense of history.

Through his efforts, the APEC countries are now committed to make it a goer. The strategy is right. The heads of government are committed. They will need to make it happen, and they will. There are enough major economies in the region who are fearful of economic and political isolation to bring the free trade declaration to life.

Australia hasn't run its race yet. The country which was smart enough to conceive of and nourish the Cairns Group to influence the GATT in its self interest and to conceive of and promote APEC has plenty to do yet. Converting the Bogor Declaration into the Bogor free trade agreement, will be a major task. We shouldn't be intimidated by this.

While political security is Australia's major prize becoming an economic part of the Asian growth miracle runs a close second. The Bogor Declaration bound in the idea of an economic community which is open to the world.

The first benefit for Australia in that is that Bogor obliges the ASEAN countries not to allow the ASEAN Free Trade Area, AFTA, to discriminate against countries in the region which are outside it. AFTA currently threatens to close Australian exporters of manufactures out of Thailand, Malaysia, and Indonesia.

The second benefit is that the idea of APEC free trade consolidates the perception among Australian manufacturers that the standard of competitiveness with which we have to deal is regional and not OECD.

Finally, the challenge of entering a free trade agreement with the countries of the region will maintain the pressure on our manufacturers to reach world competitiveness.

The economic benefits to Australia will be great. We might argue until the cows come home about whether the real benefit from being locked into the regional economy is that it encourages an economy that generates prosperity or that it creates friends out of those who might be enemies. Only a country which makes its own luck can have such choice to debate.

Keating Stresses Importance of Indonesian Links

BK1412095694 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 25 Nov 94 p 5

[FBIS Transcribed Text] Building cooperation and interdependence with Indonesia is central to Australia's long-term interests, the prime minister, Mr Keating, told the National Strategies Conference last night.

Mr Keating, speaking to a large gathering of leading "thinkers and doers", said in his keynote address that at the cultural, commercial, and strategic level Indonesia was the country of the greatest importance to Australia.

"Much of our future and theirs will be governed by what we are able to do together," he told the conference.

Building a bilateral relationship of substance and trust with Indonesia had been a prime aim of the Keating government and there was a "rapidly deepening relationship of substance and trust", he said.

The Conference on Long-Term National Strategies has been convened by the government's Economic Planning Advisory Commission to assess ideas and canvass national strategic goals.

Among the participants will be Sir Ninian Stephen, Neville Wran, Noel Pearson, Ian Kiernan, Sir Gustav Nossal, Martin Ferguson, and Poppy King.

Mr Keating took the opportunity to spell out the government's priorities.

They included:

"...a need to maintain a competitive, growing economy if we are also to maintain steady improvements in living standards and lower rates of unemployment."

"...greater economic and political engagement with the region where the opportunities are greatest—the Asia-Pacific."

"Our physical environment is our greatest natural asset and a defining force in our national life. It is crucial to any national strategy that we redouble our efforts to achieve sustainable development across the continent."

"Finding paths to social and economic justice for groups that have long been disadvantaged...remains a policy priority."

"...a creative and cultural environment which enriches all Australians and fosters ideas and innovation in an era when, as probably never before, such things determine the success of individuals and nations."

"...encourage a better understanding of our democratic heritage, a deeper faith in it and a deeper sense of what it means to be Australian."

Mr Keating also reproved the states for pushing what he termed the "constant states rights refrain". It was "as if

the federation was created for this purpose rather than to make an Australian nation", he said.

Evans Comments on Human Rights, Indonesia Ties

BK1412124094 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 28 Nov 94 p 9

[Report by Geoffrey Barker]

[FBIS Transcribed Text] The Minister for Foreign Affairs, Senator Evans, and Opposition spokesman Mr Peter Reith struggled at the weekend to surpass each other in praise of Indonesia.

Senator Evans spoke lyrically of the "dynamic, multilayered, multi-dimensional, mature relationship" between Australia and Indonesia.

Mr Reith countered with reflections on the "masterful" handling of the recent APEC summit by President Suharto, and the important contributions made by Indonesia to the Cambodian peace settlement and the development of ASEAN.

Embedded in speeches made by both men were expressions of concern over Indonesian human-rights abuses. Senator Evans spoke about "darker aspects" of Indonesian society; Mr Reith spoke in passing of Indonesia's "parlous" human-rights record in East Timor.

But the thrust of the speeches—delivered at the weekend conference on Indonesia conducted by the Australian Institute of International Affairs—was the broad bipartisan determination to reflect as little as possible on the oppressive character of the Indonesian Government.

Senator Evans spoke of Australian-Indonesian relations as having taken on "an extraordinary momentum and vitality". "Human rights for all their importance should not be allowed to dominate our overall relationship with Indonesia, but nor should they be submerged", he said.

Similarly, Mr Reith observed that human rights, however important, "will remain only one aspect of a relationship which must be broad-based and balanced".

But Mr Reith and Senator Evans received little comfort from Dr Adnan Buyung Nasution, chair of the Indonesian Legal Aid Institute. Dr Nasution said Australia could not have fully stable relations with Indonesia until Indonesia respected political and civil rights.

At present, he said, opposition was taboo. None of Indonesia's three political parties differed from the Government and elections were a means of perpetuating power rather than achieving change.

Dr Nasution said the Government did not respect the rule of law, and the judiciary lacked independence. "It is the President who regards himself as supreme", he said.

"Any sign of difference, criticism, has always been looked at as a threat to unity and stability. That is not the way we should develop Indonesia", he said.

Commentary Views Government's Human Rights Stance

BK1412102094 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 28 Nov 94 p 18

[Commentary by Geoffrey Barker: "Our Stance on Human Rights Is Utterly Unconvincing"]

[FBIS Transcribed Text] Australian politicians and diplomats advance two distinct arguments to justify their usually muted public responses to human rights violations in Indonesia. They are an argument from pragmatic calculation and an argument from cultural relativism. Both are utterly unconvincing, although the pragmatic argument does not suffer from the fatal logical flaw that destroys the argument from cultural relativism.

Despite their differences, both arguments are expressions of Australia's continuing cringe before its largest, closest and, arguably, most important neighbor with whom it enjoys rich, diverse, and growing economic and security relations. Not surprisingly, the arguments were exhaustively rehearsed during a weekend conference on Indonesia conducted by the Australian Institute of International Affairs in Canberra.

The argument from pragmatic calculation was put by the Minister for Foreign Affairs, Senator Evans, the shadow Minister for Foreign Affairs, Mr Reith, and the former head of the Foreign Affairs and Trade Department, Mr Richard Woolcott.

In essence it runs thus: Australia shares crucial economic and security interests with Indonesia. Under President Suharto's New Order Government, Indonesia is making remarkable economic and social advances and is now a nation in economic, social, and generational transition. The transition is inevitably a volatile process given Indonesia's troubled history until President Suharto came to power 30 years ago and the country's deep-seated fear of fragmentation and social disorder.

From these premises it is concluded that Australia should "keep in perspective" the Indonesian Government's oppression in East Timor, the closure of newspapers, detention of government critics, and violence against trade union activists. Politicians and diplomats may privately express concerns to Indonesian leaders, but Australia has more to gain in economic and security terms if the rest of us shut up.

Mr Woolcott suggested that public criticism of Indonesian human rights abuses reflected generalized hostility towards the country by some (unidentified) people who were dishonest or "living in a world of fantasy".

It is telling that perhaps the most effective response to this argument was made at the conference by an Indonesian, Dr Adnan Buyung Nasution, chair of the Indonesia Legal Aid Institute, argued that Australia's growing

economic and security engagement with Indonesia would have firmer foundations and Indonesia would be a more stable society when its leaders respected civil and political rights.

Therefore, Dr Nasution argued, it was in Australia's (and Indonesia's) interests to focus more intently on fundamental human rights issues rather than to place the weight of their relationship on pragmatic calculations of current mutual economic and security advantage.

There are two other obvious objections to the pragmatic argument. First, "keeping in perspective" Indonesian human rights abuses mean? turning a blind eye to the brutal realities revealed in this year's Amnesty International report on Indonesia.

Senator Evans and Messrs Reith and Woolcott offered ritual expressions of generalized concern without mentioning the ongoing brutality and corruption that afflicts Indonesian life. Senator Evans said merely there was a need to speak frankly "from time to time" about the "darker aspects of Indonesian society" and appealed for a little more latitude for the East Timorese.

He praised Indonesia for distributing the fruits of its economic success among the population, but said nothing about the vast wealth accumulated by President Suharto and his family or about the cruelty of land resumptions.

Secondly, there is no evidence that the pragmatic approach to human rights reform in Indonesia is working. Indeed as Dr Nasution said, the period of relative openness in Jakarta ended with the bannings of TEMPO, EDITOR, and DETIK. If so, the question for Australian policy-makers is how long it is worthwhile to persist with their public appeasement of Indonesia's internal brutality and oppression. The argument from cultural relativism was made at the conference by retired Indonesian General Rudini, of Indonesia's Institute of International Affairs.

Quoting from Dr Harold Crouch of the Australian National University, General Rudini argued that Eastern and Western concepts of human rights were different, with the East stressing social harmony and the West stressing individual rights.

General Rudini's point was that human rights must be seen in a cultural context: there were no objective truths about the world. Not surprisingly Dr Nasution objected that the notion of "culture" was being used to justify authoritarianism. "We Indonesians are not a special species," he said.

But the fatal logical flaw in the cultural relativist argument is its impregnable circularity. It maintains there are no objective truths about the world—but insists that the proposition "there are no objective truths about the world" is objectively true.

Happily, Senator Evans rejected this argument, noting that the human rights being urged on Indonesia were not Western values, but universal values agreed by the United Nations as early as 1948.

To argue for genuine respect for human rights in Indonesia is not to seek to impose Western-style liberal democracy on the country. Nor is it to have an unbalanced view of Australia's economic and security interests.

Rather, it is because those interests are so important to both countries that the issue of human rights in Indonesia has to be confronted without timidity and given adequate public weight in Australia.

As Indonesia's neighbor, friend and, increasingly, its partner in regional economic and security cooperation, it is entirely reasonable for Australia to urge that post-Suharto political organization be based on respect for universal civil and political rights.

If timid official approaches are ignored, retired mandarins like Mr Richard Woolcott cannot credibly suggest that defense of human rights in Indonesia is a job for experts like himself. The record suggests their efforts have failed miserably and are continuing to fail.

Commentary Views U.S. Influence, Asian Ties

*BK1412105094 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 24 Nov 94 p 17*

[Commentary by Brian Toohey: "Regional Ties Test US Influence"]

[FBIS Transcribed Text] "The Cold War's over and Japan's won." Although this quip by the noted Japanese scholar, Chalmers Johnson, was made only three years ago, it already looks curiously dated.

From the perspective of many foreign policy analysts, Japan has largely been consigned to the dustbin of history. Instead, China is now regarded as the effective winner of the Cold War, notwithstanding the irony that its leaders are still nominally communists. With Japan's economic star supposedly waning, all the excitement centers on how quickly China—assisted by the triumph on Confucian values elsewhere in Asia—will overtake the United States economically and militarily.

Even as its economy powers out of the recession, the U.S. is seen as terminally enfeebled consumed by a bewildering attack of self-doubt in a world in which its defining purpose is no longer something so straight forward as winning the Cold War. Given this context, Australian policy makers implicitly accept that we are seeing the "end of the American century". The American alliance was good while it lasted—or so the thinking runs—but now our task is to get on side with the dynamic new players in our region.

If this means bad-mouthing the Americans for speaking out on human rights issues which formed part of the

justification for waging the Cold War, then so be it. Indeed Washington's alleged clumsiness in this regard is seen as giving us a window of opportunity to create a separate, more sympathetic, identity in the region.

If we're smart, we're told, we can say to the Asian dynamos: "Look here, we're different. We're not like the Americans. We understand the subtleties of these issues. We appreciate nothing is gained by lecturing you about human rights in public (or private)."

This stratagem even extended last month to arranging a meeting for the Minister for Foreign Affairs, Gareth Evans, with the editorial board of THE NEW YORK TIMES during which he took the opportunity to complain about that paper's criticisms of human rights violations in Indonesia.

While the Indonesian Government hires an expensive U.S. public relations firm to do this sort of thing, the fact that the Australian Minister for Foreign Affairs is prepared to lend a hand for free is expected to earn brownie points in Jakarta.

The U.S. is not so decrepit, however, that Australian policy makers don't want it to have an ongoing military presence in the Asia-Pacific region.

The goal, as Paul Keating made explicit in his speech to the Asia-Australia Institute in Brisbane last month, is to "remove the need for Japan to acquire strategic capabilities"—the latter being a polite way of saying "nuclear weapons".

On the other hand, China's massive build-up of both nuclear and conventional weapons is accepted by Keating as "inevitable", but of no great concern so long as the U.S. continues to provide a counterweight.

Why the U.S. should want to shoulder this burden, at the same time as being rebuked for being a diplomatic klutz that doesn't understand Asian cultural sensitivities, is unclear.

In case it is seen that Australia is trying to serve two masters at once by trying to curry favor in Asia while still hankering for the Pentagon's protection, Evans has an answer—there is no need to choose because a serendipitous process of convergence is now underway.

In a speech to the Carnegie Endowment for International Peace in Washington last month—following his complaints to THE NEW YORK TIMES about its continued harping on the Indonesian invasion of East Timor—Evans pointed to a growing perception of "shared interests and aspirations" among what he called the decision-making elites in the Asia-Pacific region.

Evans said: "The overriding sense one has is of convergence—as countries in the region develop institutions and processes that are ever more alike."

According to Evans, this convergence is towards "market-economy democracies"—despite the lack of any

unseemly haste on the part of the Chinese "decision-making elite" to subject any of its members to the inconvenience of a democratic election.

On the contrary, members of other elites in South-East Asia who belong to what is called the "Singapore school" see no need to converge any closer to the ideals of Western liberal democracies, preferring instead a rough form of Confucian authoritarianism.

However, Evans is confident that we are not converging towards an "Asianised identity" along these lines, but towards a "new Asia-Pacific cross-fertilized civilization".

Being "cross fertilized" by China's Premier Li, Indonesia's General Murdani, and America's Congressman Gingrich—now that's a prospect to look forward to!

Interest Rate Rise Said in 'National Interest'

*BK1412085894 Melbourne Radio Australia in English
0500 GMT 14 Dec 94*

[FBIS Transcribed Text] Prime Minister Paul Keating says Australians will understand the need for today's one percent rise in interest rates by the Reserve Bank. Mr. Keating and Federal Treasurer Ralph Willis insist the rise is in the national interest, as demand must be kept under control to keep inflation low and sustain economic and employment growth. Mr. Willis has also repeated that the government will consider the need for tax rises early in the new year. Graham Wold reports the Australian Council of Trade Unions [ACTU] and the federal opposition were among critics of today's interest rate rise.

[Begin recording] [Wold] Shadow Treasurer Peter Costello says there is worse to come.

[Costello] It's 1988-89 all over again. Here we go again. The same old tricks from the same old dogs.

[Wold] Mr. Willis says things are different now.

[Willis] We don't need to be speaking about the revisitation of 1989.

[Wold] But Mr. Willis says the economy can't be left to blast away. Demand has to be moderated and he has cautioned Christmas shoppers.

[Willis] (?As a rule) credit card charges will go up somewhat, presumably, as well as mortgages. I think they will have to bear those additional costs in mind in making their purchases.

[Wold] ACTU President Martin Ferguson says the rate increase hits low-income earners and can't be defended. He issued a warning.

[Ferguson] If the federal government increases taxes on the lowest-paid in the community, then the commonwealth government will get nicked.

[Wold] Mr. Willis says Mr. Ferguson's comments are unfortunate. [end recording]

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